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1958 AGRICULTURAL FINANCE OUTLOOK

Agricultural Research Service
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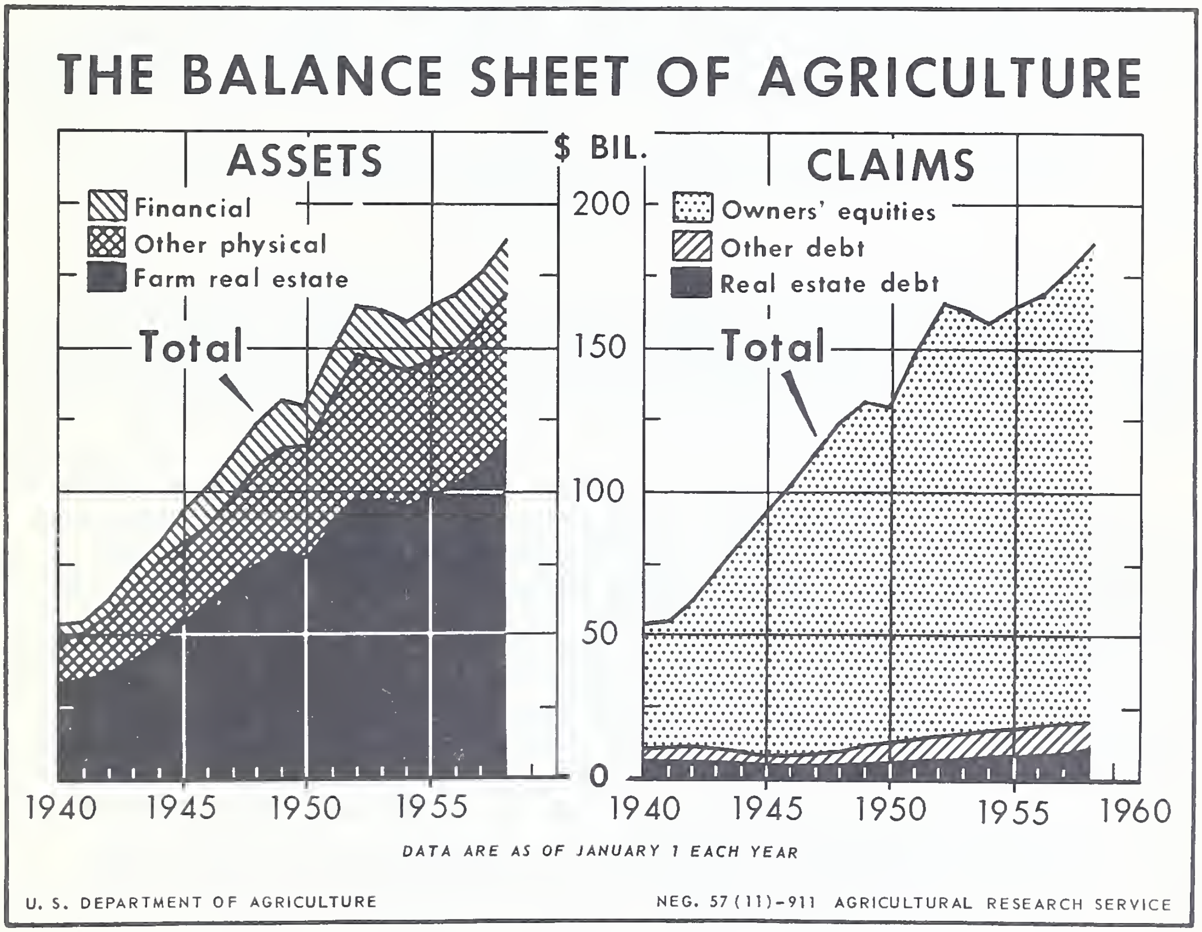

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Approved by Outlook and Situation Board, November 12, 1957

1958 FINANCIAL AND CREDIT OUTLOOK FOR FARMERS

On the whole, the prospective financial situation of farmers in 1958 will likely be much the same as in 1957. But conditions will vary regionally as well as among individual farmers. In the western Corn Belt, Great Plains, and Mountain States, which suffered from drought last year, improved crops and pastures resulting from more rain have strengthened the situation of farmers this fall as compared with a year ago and have brightened prospects for the coming year. The opposite is true in extensive parts of the East and South where adverse weather has reduced yields. Many farmers in these areas face the prospect of carryover debts and reduced reserves in 1958. In the important feed-grain producing areas, the threat of increased production of, and lower prices for, hogs is the most unfavorable feature of the prospect for 1958.

The high price of items farmers buy for both production and living will continue to affect their financial situation. Prices of land and farm machinery are expected to increase further in 1958. Property taxes will keep on their upward trend. Interest rates will remain high and may inch up more in 1958.

As a result of the cost-price squeeze, many farmers will continue to feel the need for increases in size and efficiency of operations. This will be tempered by a cautious attitude toward spending and debt. The trend toward buying additional land and making expensive capital improvements may continue to slow somewhat from the high rates of recent years. The number of farm transfers is expected to remain at the comparatively low level of 1957. These factors will tend to weaken the demand for long-term credit. The resistance to high interest rates on long-term loans, however, may become less important in 1958 as farmers become more accustomed to them. Operating and living expenses of farmers will be difficult to reduce, and the demand for short-term credit will probably continue to be strong. The supply of credit will remain adequate for most needs but lenders and creditors may again be somewhat conservative, especially in dealing with marginal credit risks.

1/ In preparing this report, the Farm Economics Research Division has had the benefit of information received during late September and October from the district offices of the Farm Credit Administration, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve Banks, and several life insurance companies in various parts of the United States. Survey information from nearly 1,600 banks was summarized and made available by the Agriculture Commission of the American Bankers Association. In addition, local surveys in 24 selected counties, covering different types of farming and farm conditions, were made by fieldmen of the Division. In these counties, 332 farmers and ranchers, 151 bankers and lenders, and 148 merchants and dealers were interviewed.

The probable effects of these various forces on the prospective financial condition of farmers as a whole will be: A further rise in debt but at a slower rate than in recent years; a relatively low level of delinquency and very few foreclosures; little increase, if any, in the amount of financial savings; and generally strong net worth positions for many, mainly because of the higher values of land and other capital investments. It is estimated that at the beginning of 1958, owner equities in agriculture will total $168.4 billion, nearly 7 percent above a year earlier (table 1). 2/

The financial position of many smaller or less efficient producers will be adversely affected. These farmers will continue to have difficulty in making a satisfactory living, to say nothing of financial progress, from farming alone. More of them will quit farming for industry in 1958. Many other small farmers will seek supplemental part-time income from nonfarm sources.

GENERAL FINANCIAL AND CREDIT SITUATION OF FARMERS IN 1957

The general financial and credit situation of farmers is about the same or slightly better than last year. Improved crop output and pastures, and better prices for cattle, hogs, milk, and some crops are reflected in a stronger financial position for farmers and ranchers in many areas, particularly in the Great Plains and the western Corn Belt. Drought, smaller allotments in some instances, and excessive rain have affected some sections, especially in the East and South.

Despite some variation, a nationwide survey made in September and October 1957 reveals considerable consistency in the financial picture. Costs are higher for both production and living items. Property taxes continue to rise. Farmers in general are trying to curtail expenditures and become more efficient in their operations. In many instances, machinery and equipment is repaired rather than replaced and there may be less spending on farm improvements. But farm property is not neglected, and there is no evidence that machinery and buildings are becoming rundown, except in marginal areas where the situation is not new.

Land prices continue upward but the number of transfers of farms has declined in most areas. Farms are still tending to grow larger but the demand for additional acreage may have slowed somewhat from the high level of last year. The cash, bank deposits, and other liquid financial assets owned by farmers have changed little from a year ago - possibly they are a little lower. High costs, getting operations back toward normal in the old drought areas, and low incomes have made it difficult for many farmers to save much money. Possibly their financial assets will improve toward the end of 1957 as more farm products are marketed.

2/ For a more complete discussion of the assets and liabilities of agriculture, U. S. Dept. Agr., Agr. Inform. Bul. 177, The Balance Sheet of Agriculture 1957, October 1957.

Table 1.- Balance sheet of agriculture, January 1, 1957, and estimated for January 1, 1958

Item	January 1, 1957	Estimated for January 1, 1958	Percentage change
	Billion dollars	Billion dollars	Percent
ASSETS			
Physical assets:			
Real estate	109.5	118.0	+7.8
Non-real-estate	1/ 48.9	51.5	+5.3
Financial assets	18.7	18.8	+.5
Total	1/ 177.1	188.3	+6.3
CLAIMS			
Liabilities:			
Real estate debt	9.9	10.6	+7.1
Non-real-estate debt:			
Loans held and guaranteed by Commodity Credit Corporation	1.6	1.2	-25.0
Other	8.0	8.1	+1.2
Total liabilities	19.5	19.9	+2.1
Equities	157.6	168.4	+6.9

1/ Revised.

The survey brought frequent mention that the larger and more efficient operators were doing well financially. In sharp contrast was the situation reported for the smaller operators. The less efficient and marginal farmers were most subject to the cost-price squeeze and were under severe economic pressure in practically all sections of the country. Some left farming for nonfarm jobs, although usually they continued to live on the farm. Others supplemented farming with part-time work off the farm. Employment opportunities were widespread, but in some areas they were not adequate to meet the demand for jobs. Those small farmers who continued to depend on the farm for their entire incomes usually were obliged to reduce expenditures for both farm and family items to a minimum.

One of the most widely noted developments in 1957 was the general rise in farm loan interest rates. This rise affected practically all types of lenders who make both long-term and short-term loans. Increases from a year earlier probably averaged one half of 1 to 1 percentage point. The increases reflected a tighter money and credit situation. Loan applications were screened more carefully and some requests were scaled downward. In many instances, the cautiousness in the use of credit was as much the attitude of farmers as it was of lenders and creditors. The smaller and less efficient farmers were reported to have experienced some difficulty. But on the whole, most farmers were able to get the credit they needed.

The demand for long-term credit has decreased throughout most sections of the United States. There are fewer farm transfers and, mainly because of improved moisture conditions and higher livestock prices, there is less pressure to refinance short-term debts. Farmers are reluctant to make long-term commitments at the currently high interest rates. Further, the wave of heavy capital investment in farms may have passed its peak. Despite the reduced demand for new long-term credit, the farm-mortgage debt continues to rise although at a slower rate than in recent years.

The demand for short-term credit was reported to have increased in the country as a whole, largely because of higher operating costs. In some sections, the improved feed situation caused an increased demand for feeder cattle. Because of the current high interest rates, short-term credit was sometimes used for long-term purposes with the expectation of refinancing for a longer term when interest rates became more favorable. The exceptions to the general tendency for short-term credit demand to rise were mainly in areas where the Soil Bank and other programs took acreages out of crop production. Notwithstanding the greater use of short-term credit, repayments appear to be large. By the end of the year, the outstanding debt will not be much higher than it was a year earlier.

In most instances, farmers are making payments on their loans as they fall due and delinquencies and carryovers are relatively few. Foreclosures are rare. Smaller operators, however, must often tighten their belts or secure off-farm income to help carry their debts and make ends meet.

FINANCIAL ASSETS OF FARMERS

During 1957, farmers' holdings of cash and bank deposits are not expected to change much in the aggregate. Ownership of U. S. savings bonds may decline slightly. This decline has occurred mainly with the larger investors who have sought more attractive returns in other securities. The net worth of farmers' cooperative associations, however, continues to rise somewhat and, in total, the financial assets of farmers may be $0.1 billion larger at the beginning of 1958 than a year earlier.

The change in savings during 1957 has varied considerably among regions and among farmers within regions. Although probably not representative of the United States, 56 percent of the 332 farmers interviewed recently reported

that their financial reserves were about the same as a year earlier. About 16 percent of those interviewed reported more savings, and 28 percent had less than in 1956. The greatest stability appeared to be in the North, where 62 percent reported little change in financial assets. The remaining farmers in the North were about evenly divided between those reporting increases and those reporting decreases.

In the South and West, the numbers of farmers who reported no change in financial assets was somewhat less, and the number who reported decreases was somewhat larger, than in the North. Part of the explanation for the probable decline of such savings in the South is the later-than-usual harvest and harvest receipts. But on the whole, financial assets in the South are expected to be lower at year-end than a year earlier because of the squeeze of higher costs and lower incomes. The reported decline in financial assets during 1957 in the West may be somewhat surprising in view of the better moisture and production conditions throughout much of that area. As in the South, some sections of the region are yet to receive substantial returns this year. Also, many farmers and ranchers in the former drought areas of the Great Plains and Mountain regions drew further on their savings to help get operations back to normal and assist in restocking the range.

Of nearly 1,600 bankers scattered throughout the country, 39 percent reported farmers' deposits to be about the same in September 1957 as a year earlier. Increases were reported by 35 percent and decreases by 26 percent of the bankers. This situation in regard to bank deposits appears to be slightly more favorable than the picture of total financial assets given by the farmers interviewed. Possibly the change in bank deposits reflects to a greater extent the condition of the larger and more prosperous farmers. The largest proportion of bankers who indicated that farmers' deposits had decreased was in the South. The largest proportion who reported increases was in the Midwest.

FARM REAL ESTATE

The total value of farm real estate is expected to be approximately $118 billion by March 1, 1958. This would be 7.8 percent, or $8.5 billion above the March 1, 1957, record high level.

Values of farmland increased in all States during the year ended July 1, 1957, and new record high levels were established in 40 States. Increases exceeded 2 percent in 45 States; in 23 States they amounted to 8 percent or more (fig. 1). The smallest advances were recorded in the States that were most severely affected by drought in 1956. Largest increases generally were in the eastern two-thirds of the country, with the sharpest advances occurring in the Southeastern States. Nationally, values of farmland were 8 percent higher in mid-1957 than a year earlier. This is the largest increase for any similar period since July 1951, when a 16-percent increase from the previous July was recorded.

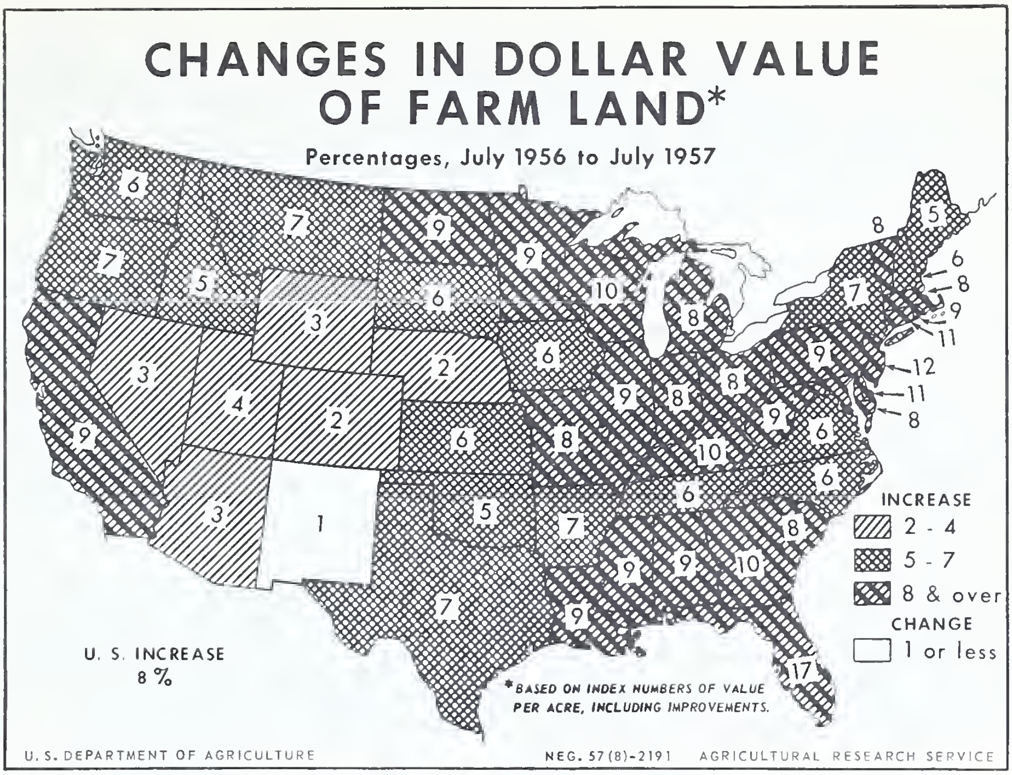

FIGURE 1

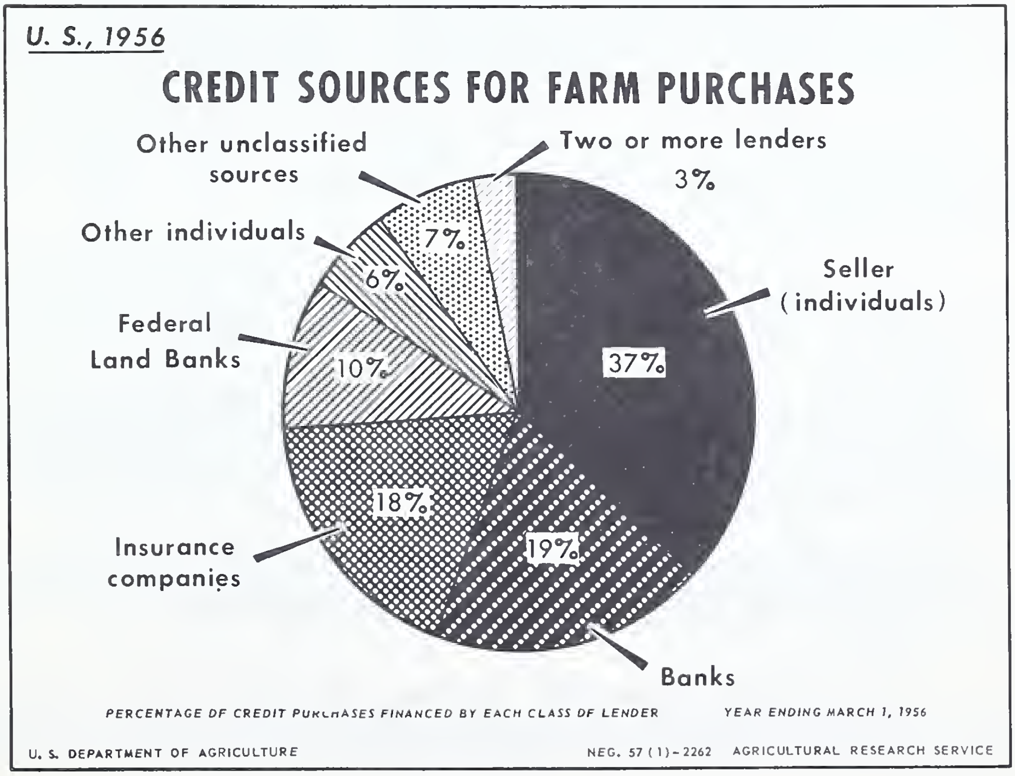

FIGURE 2

A further increase in land values of 2 percent occurred between July and November 1957. As of the latter date they were 8 percent above a year earlier. Market prices of farm real estate are expected to advance further in 1958 because most of the forces that have pushed values upward the past several years will still be present. The increase, however, may be a little less than in 1957.

The increases in value in the most recent period were a result of a complex of factors present in the Nation's economy. Generally favorable crop conditions in 1957 and continuing pressures to enlarge existing farms were the dominant forces in the agricultural sector. In some areas, the conservation-reserve program has increased demand for land of below-average quality and has helped to sustain or to increase market prices. In the nonfarm sector, the continued high level of business activity, the slowly rising general price level, and the need for space for an expanding economy continues to add strength to market prices of farmland in many communities. 3/

Information supplied by farm real estate reporters in a March 1957 survey indicates that the strong demand and tight supply situation that has characterized the farm real estate market in recent years continued into the spring and summer of 1957. These reporters expected the price of farmland to increase further during the summer and early fall of 1957.

Transfers of farm ownership during the 12 months ended March 15, 1957, occurred at a rate approximately 4 percent below the previous year. The rate of voluntary sales of farmland in 1956 was the lowest for any year since 1953. The rate declined in 7 regions in 1956, but increased in 3 - the Lake States, the Southeast, and the Delta States. Foreclosures, including assignments to avoid foreclosure, bankruptcies and related defaults, continued at the low rate of recent years. In the 12 months ended March 15, 1957, the rate of foreclosures was 2.0 per 1,000 farms in the United States. Thus, approximately 9,000 distress transfers occurred during the year. A year earlier, the number was 10,400.

For the sixth consecutive year, the relative importance of credit in financing farm transfers increased. An estimated 70 percent of all purchases of farmland were financed with some form of credit during the 12 months ending March 1957. The increase in the use of credit was due to more frequent use of sales contracts, as the frequency of mortgage-financing declined. Sales contracts made up about 30 percent of all credit-financed purchases. The importance of this type of financing has shown a steady growth since estimates were first made in 1946.

Nationally, sellers (primarily individuals) provided all the credit required to finance 37 percent of the credit-financed sales in the year ended

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3/ For a more complete discussion of these and other factors that affect the farm real estate market, see U. S. Dept. Agr. (Agr. Res. Serv. ARS 43-61), Current Developments in the Farm Real Estate Market, March-July 1957, issued October 1957.

March 1, 1956 (fig. 2). This proportion ranged from less than 30 percent in the Corn Belt, Northeast, and eastern and western cotton areas, to more than half of all credit sales in the Mountain and Pacific Coast States. In the country as a whole, about the same proportion of purchases was financed by commercial banks as by insurance companies (19 and 18 percent, respectively), but regionally, the two classes of lenders varied greatly in importance. Nearly half of the credit purchases in the dairy area of the Northeast were financed by local banks. The general farming and tobacco areas also showed a relatively high frequency of financing by banks. In most farming areas west of the Mississippi River, banks financed less than 10 percent of all farm purchases.

Traditionally, insurance companies have been most active in the farm-mortgage field in those areas in which average loans are large and risk is low. The Corn Belt, winter wheat, and central and western cotton areas showed the highest proportion of farm purchases financed by insurance companies. Federal land banks financed a tenth of farm purchases, nationally. The eastern cotton area reported the highest proportion of all farm purchases that were financed by land-bank loans, (24 percent), but elsewhere the proportion of credit buyers who used land-bank loans seldom exceeded 12 percent. The remaining 16 percent of the credit purchases were financed by individuals (other than the seller), unclassified sources, or combinations of two or more lenders.

FARM PROPERTY TAXES

Farm property taxes have followed an uninterrupted uptrend since 1940 (fig. 3). Levies on farm real estate and personal property in 1956 (payable largely in 1957) amounted to $1,203 million or 2 2/3 times as much as in 1940.

Both real estate and personal property taxes are continuing upward in 1957. Real estate taxes levied this year, payable in 1958, are likely to total about $1,032 million, or 6 percent greater than the $977 million levied in 1956. This would result in an average tax per acre of $0.96, a new record. A somewhat smaller rise - about 3 percent - is probable for levies on farm personal property. These taxes may amount to a record $233 million.

The persistent uptrend in farm property levies is an outgrowth of the steadily growing revenue needs of local governments. While all government expenditures, Federal, State and local, increased by only about half between 1946 and 1956, spending by local governments more than tripled. Despite a long-term decline in relative importance as a source of local revenue, the property tax still provided more than two-thirds of all general revenue raised by local governments in 1956. The proportion was still greater in rural areas. The rising trend in local expenditures shows no sign of an early downtrend.

The principal causes for the increase in local revenue needs are found in the economic history of the last 25 years, and in the far-reaching

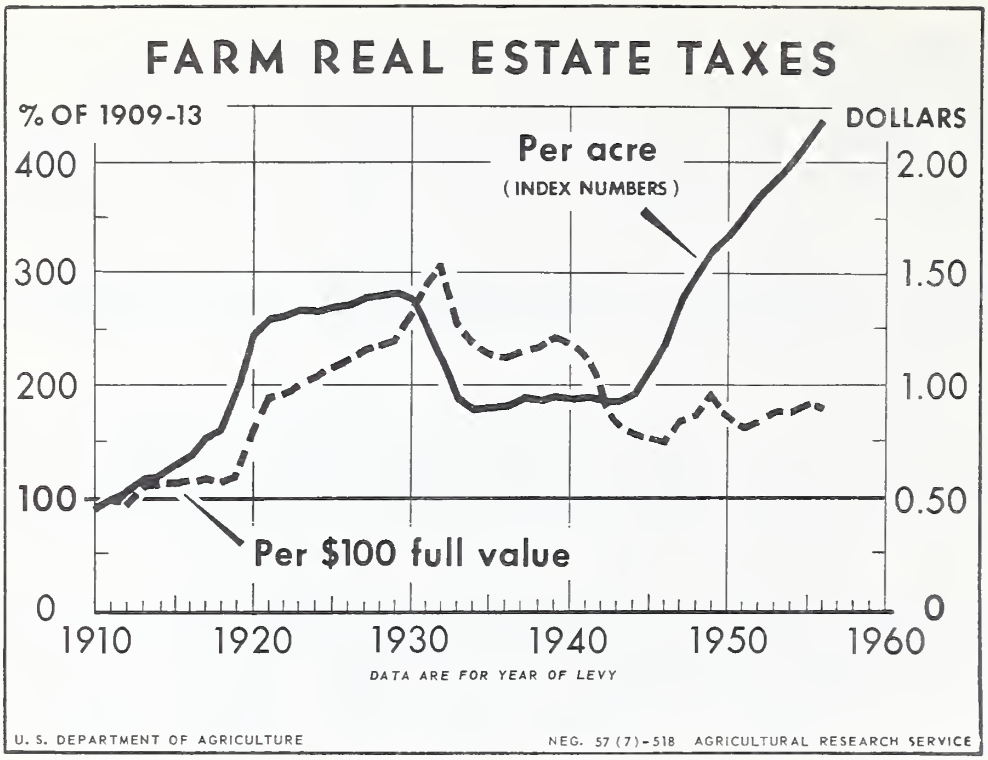

FIGURE 3

economic and social changes that have occurred since World War II. Local governments, both rural and urban, were forced to defer needed capital improvements first by a decade of depression and then by wartime and postwar shortages of materials and labor. It appears also that needs were underestimated, particularly for schools, as a result of the widely held belief that the low birth rate of the 1930's was a long-term phenomenon. After World War II, it was necessary for local governments to catch up with requirements, a process that was complicated by rising prices, inflexible revenues, and limitations on local taxing and borrowing.

The years since World War II have also brought population shifts of dramatic proportions. Metropolitan centers have gained population at a rate about 4 times as rapid as the rest of the country, and in 1956, they accounted for an estimated 58 percent of the population. These population movements have had their most direct effect on the finances and property taxes of urban and suburban areas, but farm real estate levies have been influenced also. Farmland in and around metropolitan areas is often in demand for residential sites, and values are forced up. In several States, reassessments of property in light of increasing market values have contributed to rising property tax burdens on farm operators. Moreover, increased tax rates to support countywide functions often result in heavier levies, even in those areas that are not immediately affected by population growth.

The relation between changes in taxes per acre of farm real estate and the pressure of population growth is indicated roughly by the fact that the Delta and Appalachian States, in which some of the smallest gains in population have occurred since 1940, have shown the smallest increase in farm real estate taxes, while the greatest increases in both population and taxes have occurred in the Pacific States (table 2).

Table 2.- Taxes levied on farm real estate: Amount per acre by regions, selected years, 1940-56

	1940	1945	1950	1954	1955	1956	Increase 1940-56
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Northeast	1.09	1.15	1.60	1.90	1.99	2.16	98
Corn Belt	.74	.84	1.40	1.77	1.86	1.97	166
Lake States	.65	.80	1.27	1.52	1.65	1.72	164
Appalachian	.32	.35	.49	.56	.58	.61	90
Southeast	.21	.22	.35	.38	.39	.41	95
Delta States	.31	.33	.36	.41	.42	.44	42
Southern Plains	.16	.17	.28	.31	.34	.35	119
Northern Plains	.30	.35	.58	.68	.74	.77	157
Mountain	.14	.16	.27	.32	.33	.34	143
Pacific	.56	.67	1.27	1.48	1.64	1.78	218
United States	.39	.44	.69	.82	.87	.91	133

Almost all States are expected to show increases in farm real estate levies for 1957. Regional generalizations are difficult, because the change in taxes in any single year may be influenced by revisions in a State's tax structure, general reassessments of property, or changes in property tax limitations. Nevertheless, it appears that the Pacific Coast States will continue to show greater-than-average increases in farm taxes, largely as a result of population growth and more extensive use of irrigation, which tend to raise farm values and tax assessments. Real estate taxes may also increase by more than the average in the Corn Belt States. Only small increases are probable in most of the States of the Appalachian, Southeast, Delta, and Southern Plains regions.

SOCIAL SECURITY BENEFITS

By mid-1958, it is estimated that about a half million farm families will be receiving benefit payments as a result of the extension of Old Age and Survivors Insurance to self-employed farmers in 1955. These payments may average about $1,000 per family, or at an annual rate of a half billion dollars. In addition, roughly another 100,000 families will receive larger benefit payments because earnings from farm operations were added to other wage and salary income covered by social security.

Most of the benefit payments to date have been made to retired farmers and their wives. The number of survivors (widows and children) who receive benefits is now a smaller percentage of farmer beneficiaries than of occupational groups that have been covered by social security for a longer period of time. But as time goes on, the number of these beneficiaries will increase. In addition, a small but increasing number of farmers will become completely disabled for work and will receive benefit payments after they reach 50.

Additional income of even a half billion dollars is only a small proportion of total farm income, but it will have an important effect in maintaining the incomes and expenditures of the older farmers who are receiving benefit payments. Moreover, it will relieve some younger farmers of financial responsibility for their parents, and provide others with additional opportunities to expand the size of their farming operations as the older operators retire.

FARM DEBT AND CREDIT SITUATION

Farm debt has risen again in 1957, although not as much as in other recent years (fig. 4). By January 1, 1958, total farm debt is expected to be only about $0.4 billion above the amount a year earlier. Price-support loans of the Commodity Credit Corporation are expected to decline. Other non-real-estate loans to farmers will show little change for the year but farm-mortgage loans will be up about $0.7 billion. In the aggregate, farm debts on

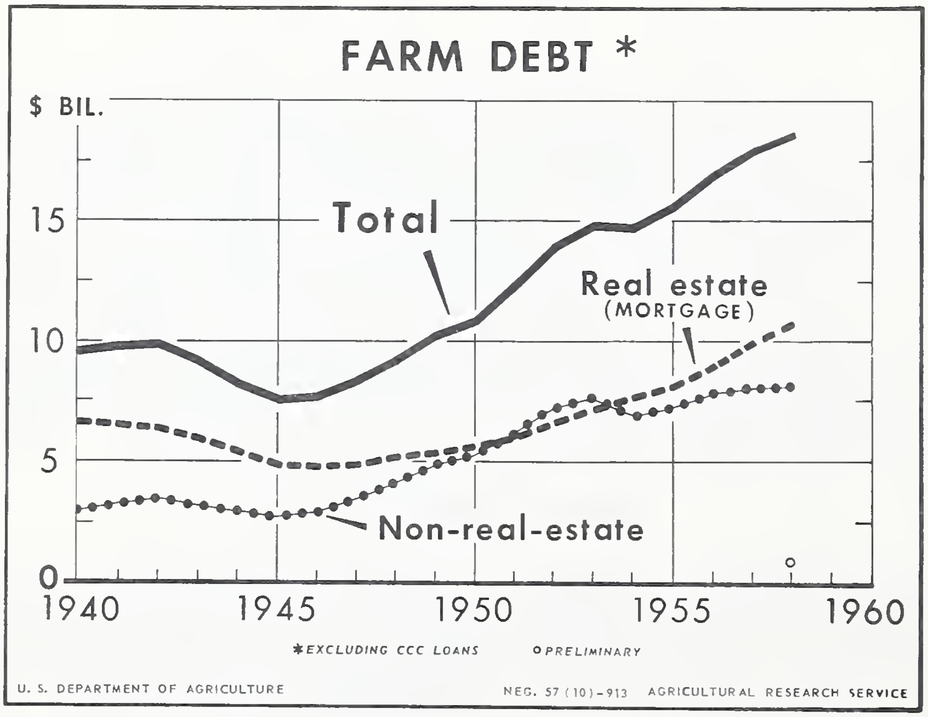

FIGURE 4

January 1, 1958, are expected to be only 10.6 percent as large as farm assets, compared with 11.0 percent a year earlier.

FARM-MORTGAGE DEBT

Rising interest rates, a generally tighter farm credit situation, and less demand for farm real estate loans reduced the volume of farm-mortgage lending in 1957.

Outstanding farm-mortgage debt is still rising, but the increase in 1957 will probably be about 7 percent. In 1956, it was 9.3 percent (figs. 5 and 6). The total on January 1, 1958, is expected to be $10.6 billion, which compares with $9.9 billion a year earlier. Mortgage interest charges payable in 1958 may total around $525 million, some 8 percent above the 1957 charges.

The outlook is for further increases in farm-mortgage debt in 1958, but the increase is likely to be at a lower rate than in recent years. Interest rates in 1958 are expected to average as high as in late 1957, or possibly higher, even if there should be some easing of rates on Government and corporate securities. Interest rates charged by individuals on farm-mortgage loans have not risen as much as those of other lenders, and there is some lag also in the rates charged by commercial banks in rural areas. The present careful screening of farm-mortgage loan applicants is expected to continue.

In early November 1957, the leading life insurance companies in the farm-mortgage field generally reported minimum rates of 5 1/2 percent as compared with 5 percent a year earlier. A few particularly desirable loans were made at a lower rate. One company, however, had a minimum rate of 6 percent, and most companies had a fair proportion of business at that rate. One company reported that its minimum rate was 5 1/2 percent, but that 6 percent was "pretty much standard." In 1957, more companies required borrowers to pay for appraisals and loan closing costs.

In 1957, life insurance companies were probably less aggressive in seeking new farm-mortgage loans unless they were particularly desirable. Funds for farm-mortgage loans are under quota or allocation in most companies, and their farm-loan departments had little trouble in lending the funds available. The major companies in the field reported more careful screening and increased selectivity in making loans. Some companies were reported to be keeping a closer watch on collections from the older loans, which have lower interest rates.

The Federal land-bank rates have also risen from 1 to 1 1/2 percentage points in the last year. In early November 1957, 9 banks had a 5 1/2 percent rate and 3 were charging 6 percent. In December 1956, only 4 banks charged 5 percent, 7 had a 4 1/2 percent rate, and 1 bank charged 4 percent. These rising interest rates reflect the higher cost of money to the Federal land banks. In September 1957, representative issues of Consolidated Federal Farm Loan Bonds, yielded 4.75 percent, which compares with 3.75 percent a year

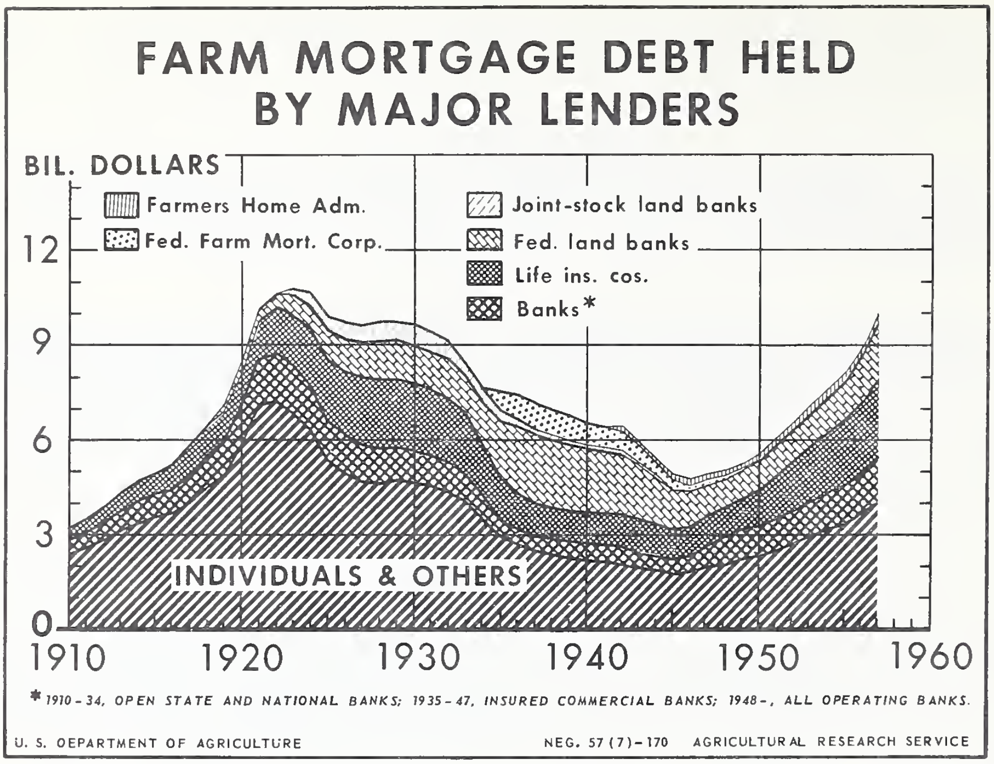

FIGURE 5

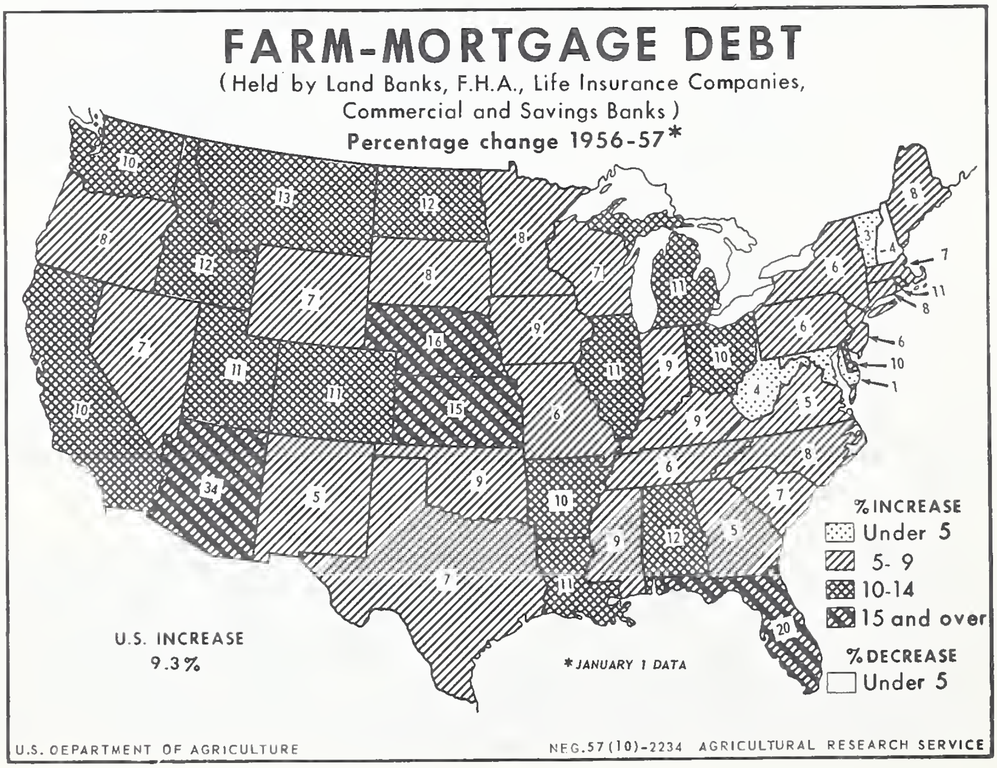

FIGURE 6

Table 3.- Farm mortgages recorded for all lenders: Percentage change in number, average amount, and total amount, by regions, first half of 1956 to first half of 1957

Region	Percentage change in-		
	Number	Average amount	Total amount
	Percent	Percent	Percent
Northeast	-5	-9	-14
Corn Belt	-14	-1	-15
Lake States	-10	7	-3
Appalachian	-5	-1	-6
Southeast	16	4	21
Delta States	-2	1/	-1
Southern Plains	-14	-6	-19
Northern Plains	-10	4	-6
Mountain	-7	9	2
Pacific	-18	14	-7
United States	-6	-1	-7

1/ Less than 0.5 percent.

earlier. Some further increase in interest rates charged by the land banks may occur because some of the banks have a very narrow margin between the costs of, and the returns for the money they lend.

In general, the demand for farm-mortgage money is reported somewhat less this year. The factors responsible include higher interest rates, fewer farm real estate transfers, some shift by farmers from long-term to short-term credit, less refinancing of short-term debt into long-term loans, and less refinancing and increasing of old farm-mortgage loans that have low interest rates.

Farm-mortgage borrowers appear to be showing some resistance to the higher interest rates. Sales of farm real estate are more difficult to complete, and increasing use is made of sales contracts wherein the title remains with the seller until the borrower has made specified payments. The effect is to have the seller finance the sale, and this may result in some tax advantages for him. Both the number and amount of mortgages recorded by individuals have increased. Interest rates charged by individuals have increased less than those of other lenders, and stricter loan policies are followed by institutional lenders. Interest rate increases by commercial banks have also lagged and farm-mortgage loans made by these banks have

declined less than those of life insurance companies and the Federal land banks. Farmers may tend to delay large capital outlays that require borrowed money. They also appear to be reluctant to increase their indebtedness if it involves refinancing old farm-mortgage loans that have low interest rates.

Farm-mortgage recordings in the first half of 1957 illustrate the current trend (table 3). Both the number and amount of farm mortgages recorded were less than in 1956. However, the largest declines were shown by the Federal land banks and insurance companies. The decline was less for commercial banks while individuals, the Farmers Home Administration, and miscellaneous lenders showed increases. The average size of mortgage recorded in the first half of 1957 was larger than in the first half of 1956 for life insurance companies, the Federal land banks, and individuals, but lower for commercial banks and miscellaneous lenders. Because of the shift toward banks, individuals, and miscellaneous lenders, which usually make smaller loans, the average size for all loans combined showed a small decrease.

Lenders report that delinquencies on farm-mortgage loans are very low and little changed from a year ago. Such changes as have occurred reflect an improved situation. The number of foreclosures continues to be negligible.

Currently, there is no indication of easier policies by lenders on farm-mortgage loans or of lower interest rates. In fact, some further increase in interest rates appears to be possible in 1958, particularly for lenders who have lagged behind the general rise. Some of the current resistance by borrowers to increased rates may diminish as they become accustomed to them. However, farmers are usually conscious of interest rates, particularly on long-term loans, and the rise in outstanding farm-mortgage debt next year may be less than in 1957.

NON-REAL-ESTATE DEBT

Reports from banks and federally sponsored agencies indicate that non-real-estate debts of farmers (excluding loans made or guaranteed by the Commodity Credit Corporation) are only slightly higher in 1957 than in 1956 (fig. 7). At mid-1957, the outstanding loans of this type held by these lenders were up about 2.4 percent from a year earlier. Increases of a little more than 5 percent had occurred in the Northeast and the Pacific region but outstanding loans were down slightly in the Appalachian region and the Southeast (fig. 8). The change in other regions was within these ranges. By January 1, 1958, the non-real-estate debt of farmers in the country at large, including debts to merchants, dealers, individuals, finance companies, and others, but excluding price-support loans, is expected to total about $8.1 billion, compared with $8.0 billion a year earlier.

The most noteworthy development during the last year has been the increase in interest rates. Most, if not all, of the production credit associations have found it necessary to raise their interest rates on loans to farmers as a result of increase in the discount rates of the Federal intermediate credit banks, which in turn were caused by higher costs of raising

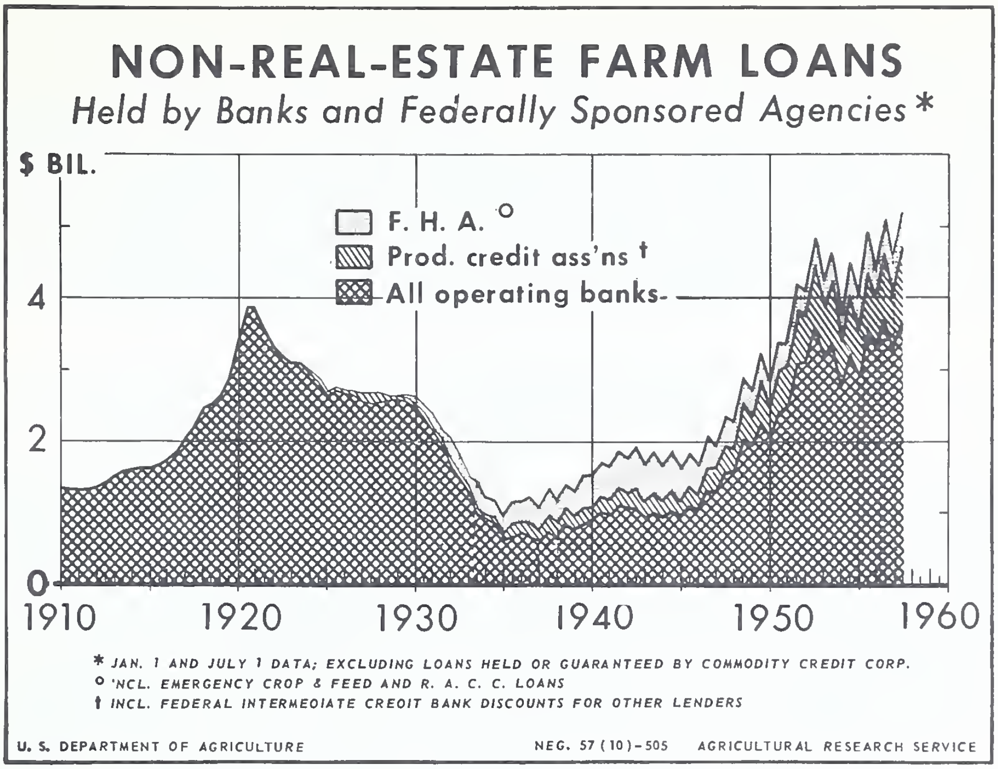

FIGURE 7

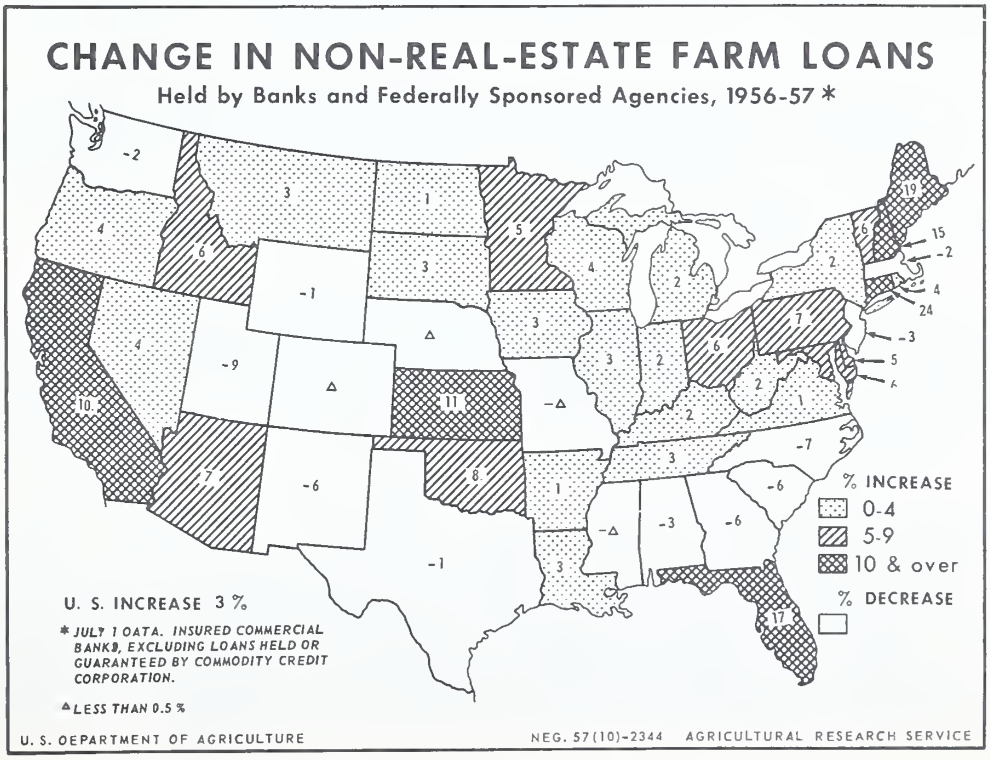

FIGURE 8

funds through the sale of debentures. Country banks have been in an easier position than banks in large cities but many of them have raised their loan rates to farm borrowers. An increase in rates of interest paid on savings deposits is one reason for the higher rates charged by country banks. Unless open-market interest rates decline substantially, it is likely that average rates charged by both banks and production credit associations on non-real-estate loans to farmers may be within the range of 6 1/2 to 7 percent by early 1958, up one-half to three-fourths of 1 percent from a year earlier.

The "tight" money situation appears not to have created shortages of loan funds for efficient farm operators who were in sound financial condition. But reports indicate that inexperienced farm operators, and those who have thin equities in their farms or are operating marginal units, have found it increasingly difficult to obtain credit from the banks and production credit associations. Some of these farmers have obtained credit from merchants and dealers; others have been taken care of by the Farmers Home Administration. But many have either curtailed their farming operations and obtained supplementary off-farm jobs or shifted entirely to other occupations.

These changes cannot be attributed solely to the tight money situation. Pressures on the small, inefficient farm units have been building up for years. But there can be no doubt that the rising cost of loan funds and the higher rates that can be obtained from alternative investments have caused lenders to screen loan applications of farmers more carefully. Even with the better credit risks, lenders are becoming more concerned about the purposes for which loans are used and the ability of borrowers to repay their loans on schedule.

Apparently, delinquencies on non-real-estate loans to farmers are not extensive, except in the relatively few areas where farmers have suffered severe losses from low prices or adverse weather. In these areas, carryover loans are being extended as needed but a pinch may develop for some farmers when they try to obtain credit to finance next year's operations.

Despite the fact that the total non-real-estate debt of farmers increased little during the last year, the production credit associations increased their outstanding loans by about 11 percent and the Farmers Home Administration increased its production and subsistence loans by about 8 percent. Non-real-estate bank loans to farmers show no significant change from a year earlier.

The increase in production and subsistence loans of the Farmers Home Administration doubtless resulted partly from the more careful screening of farm borrowers by other lenders. Various explanations have been given for the increase in loans of the production credit associations. The explanation most frequently given is that the production credit associations have been pushing harder to obtain new business. With reduction of the margins between the rates they pay, and the rates they receive, for loan funds, many of the associations are in urgent need of more business to permit them to maintain income

at adequate levels. It has been reported, also, that the program of making loans with maturities up to 5 years has attracted business to the associations.

Apparently, banks have been under less internal pressure than the production credit associations to increase their loans to farmers. Their costs probably have not risen as much as have those of the associations, and they have a much wider range of opportunities for profitable investment of their funds. It is reported that more and more banks have tended to confine loans to their regular customers who maintain deposits.

REGIONAL SITUATION AND OUTLOOK

North 4/

The financial situation of farmers in the Northern States as a whole is about the same to a little stronger this fall than a year ago. Cash receipts from farm marketings during the first 8 months of 1957 were slightly higher than in the same period of 1956. Indications are that farm costs were also somewhat higher. At midyear, production loans of farmers were up by a small amount from a year earlier. But values of farm real estate and livestock are higher. Farmers in most parts of the North believe that their situation is at least as strong, and in many instances stronger, than it was a year earlier.

The situation in this respect differs markedly by regions. A large area along the eastern seaboard was seared by drought during the summer. Excessive rainfall, sometimes followed by drought, damaged crops in the southern Corn Belt and in some parts of the Lake States. In these areas, the financial situation of farmers is weaker this fall than a year ago. In western Iowa, which suffered badly from drought last year, good crops this year have brought considerable improvement in the situation of farmers. Most other areas show little change from last year, although the tendency is toward improvement because of better prices for milk and livestock. The increase in egg prices this fall has brightened the prospects of farmers in the important egg-producing areas.

Northeast.- The Northeast presents a picture of contrasts in the fall of 1957. Severe drought developed during the summer in a large area, which included southeastern New Hampshire, most of Massachusetts, all of Connecticut, Rhode Island, New Jersey, and Delaware, southeastern New York, the eastern third of Pennsylvania, and most of Maryland. Farmers in this area are in a less favorable financial situation than a year ago because yields of most crops were drastically reduced, dairymen are short of feed, and returns from

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4/ Includes the Northeastern States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, Pennsylvania, and Maryland; the Corn Belt States of Ohio, Indiana, Illinois, Iowa, and Missouri; and the Lake States of Michigan, Wisconsin, and Minnesota.

cash crops will be far below normal. West and north of the drought area, growing conditions were relatively good. Moreover, prices of both milk and eggs have risen. Although prices of broilers have been very low, the financial position of farmers in most of the Northeast outside the drought area appears to be somewhat stronger than last year.

The situation in the Northeast was summarized by one correspondent as follows:

> The great majority of northeastern farmers are in strong financial position with little evidence of distress. Dairy farmers generally have better incomes than a year ago but drought in [some areas] has added to costs in recent months and will necessitate purchases of unusually large quantities of hay for this winter. Poultry farmers withstood the low egg prices of the past year surprisingly well and prospects are for some improvement in coming months. A considerable number of empty poultry houses has been reported - but the owners apparently shifted to off-farm work - and the houses will be refilled quickly when egg prices become more favorable. The most difficult situation is in Aroostook County, where returns from potatoes have been low for several years.

A correspondent from the southern part of the area wrote:

> Probably the greatest single factor bearing on the financial situation of farmers in our district has been the serious drought . . . . Not only were yields of many crops adversely affected but feed supplies, particularly hay, were used extensively during that portion of the year when dairymen depend primarily on pasture.

In a report on broilers in the Northeast, it was stated:

> "Many broiler contractors have shifted their producers from a contract offering 1 cent per bird per week to a contract offering one-half of 1 cent per bird per week plus a share in the profits. After an upward surge in the summer, broiler prices have dropped to a point where there is only one-half of 1 cent per week income per bird - and no profit."

Cash receipts from farm marketings during the first 8 months of 1957 were lower than in the corresponding months of 1956 in all Northeastern States except Maine, Vermont, and Delaware. In these 3 States, the increase in marketings resulted solely from livestock and livestock products, as marketings of crops were lower in each. Most of the Northeastern States (7 of the 11) had lower marketings of livestock and livestock products; only New Hampshire, New York, and Pennsylvania had higher marketings of crops in 1957 than in 1956.

At midyear, the non-real-estate loans to farmers held by banks and federally sponsored agencies were up sharply from a year earlier in Maine, New Hampshire, and Connecticut but showed little change in other parts of the Northeast. The increase in Maine is attributed by one reporter to another year of high costs and low prices in Aroostook County. For New Hampshire, it is reported that declining sales of pulpwood required farmers in the northern part of the State to use more credit for production purposes than they would have needed otherwise. No comment was made by reporters on the increase in Connecticut but, as the entire State was in the drought area, it probably resulted from an increase in feed costs of dairymen and poultrymen. Credit needs of tobacco growers in the Connecticut valley were reported to be lower because of a cut in the acreage of tobacco.

A survey made in Aroostook County, Maine, confirms that potato growers in that county are more deeply in debt this fall than they were a year ago. Because of the build-up of debts and a drain on the bank deposits and other financial reserves of growers, it was the concensus of opinion that the financial situation of potato growers in Aroostook County had weakened during the year.

The build-up of debt since last fall was largely the result of poor returns from the 1956 crop of potatoes. The crop was large, part of it was of poor quality because of damage from frost, and prices of potatoes were low. As a consequence, many farmers were unable to pay their 1956 production loans in full. Although potato growers appear to have used little, if any, more new credit during the 1957 season than during the year before, the new loans obtained in 1957 added to the carryover of unpaid debts from 1956, created a larger volume of debt than had been outstanding the year before.

Despite low returns from the 1956 crop, potato growers in Aroostook County apparently had to make somewhat larger expenditures in 1957 than in 1956. Expenditures for both production and living purposes were reported to be up slightly. However, merchants and dealers reported substantial declines in sales of farm machinery, automobiles and trucks, household furnishings and equipment, and farm improvements, and stated that farmers had become increasingly cautious about buying on credit. Notwithstanding such economies, banks reported that farmers' deposits this fall were somewhat lower than a year earlier and reports from the farmers interviewed also indicated a decline in financial reserves.

From the information given by banks and production credit associations, it appears that more farmers were refused credit in 1957 than in 1956 and that, at the same time, more farmers were extended credit by these institutions. This anomaly apparently arises from the succession of years in which the price of potatoes was low. This weakened the position of some growers to such an extent that they could no longer obtain credit and it forced others, who had been able earlier to operate without borrowing, to apply for loans. The effect of these years of low prices is also reflected in the substantial increase in the volume of delinquent loans reported by the national farm loan associations and the office of the Farmers Home Administration that serve the area, and by the large increase in the volume of emergency loans made by the latter agency.

Prospects of potato growers in Aroostook County for the months ahead are brighter this fall than they were a year ago. The crop is smaller but the quality is better and prices are higher. Both growers and lenders are anticipating a better pay-out than was experienced with the 1956 crop.

Orleans County, N. Y., was selected as representative of the vegetable-producing areas of the Northeast. It is also an important producer of fruit. As it lies on the shores of Lake Ontario, it is not in the drought area. However, a freeze in May ruined the peach crop and affected the apple crop, and a frost in September damaged late tomatoes. Otherwise, yields of most crops were higher than in 1956.

Most of the farmers interviewed produced apples and a variety of vegetables; many also produced feed crops and had dairy or beef cattle, hogs, or chickens. Returns from fruit will be down from 1956, which was a favorable year for fruit, but returns from most vegetables, milk, and livestock are up. As a rule, the farmers interviewed reported that their gross incomes were somewhat larger than last year because of improved yields and a larger acreage of cash crops.

Expenditures and credit requirements were reported to have been higher than last year. Most of the increase resulted from higher prices for cost items, a larger acreage of crops, and increased purchases of trucks, tractors, and farm machinery. Living expenses and expenditures for household equipment showed little change from last year. Some farmers had carryover debts that were incorporated in this year's borrowings. Most of the growers apparently had no difficulty in getting the credit they needed, but several reported that requirements for loans had been tightened.

Only a few of the growers interviewed believed that their financial positions were stronger this fall than a year ago. Most considered their situations to be about the same or slightly weaker. However, one reporter observed:

> "I feel that the farmer's appraisal is a somewhat conservative one reflecting his mood following the frost damage on tomatoes, the disappointing price on apples, and the uncertain price on cabbage. My appraisal, as well as that of bank representatives, county agent, merchants, dealers, etc. is that fruit and vegetable farmers are in a somewhat improved financial position over last year. Despite this, they have had 3 or 4 bad years - which have reduced their operating reserves to a low level. Some have carryover short-term debts from several years ago. This, in conjunction with tight credit, has squeezed many out to take alternative jobs in industry, for which this county is in an enviable position---A great deal of land is left idle as a result of this shift---Only the best and most accessible land is being absorbed by continuing farming operations."

In Merrimack County, N. H., dairy farmers and egg producers were interviewed. This county is on the fringe of the drought area. Pastures and hay

crops suffered some damage from drought but yields were reduced much less than in areas further south.

Most of the dairymen interviewed felt that they were in a stronger financial position this fall than a year ago. Lending agencies, merchants, and dealers were generally agreed that the situation of dairymen in the county was as good, or somewhat better, than a year earlier. A number of the dairymen had increased the size of their herds. Milk production per cow was generally higher, and the price of milk had risen. Although operating expenses were higher, most dairymen had reduced their outlays for capital items, and several had reduced their debts.

A majority of the producers of market eggs who were interviewed also considered that their financial position had improved since last fall. But most of the lending agencies in the area thought otherwise. Producers had experienced difficulty in paying their feed bills during the preceding year and many of them had increased their debts. Apparently, the views of poultrymen were influenced more by the recent and anticipated increases in the price of eggs than by their difficulties in the past.

An additional factor may have been responsible for the different appraisals of lenders and the poultrymen interviewed. Apparently, a number of poultrymen had gone out of business during the preceding year of low egg prices. Lenders may have given greater weight to these casualties in making their appraisals than did the poultrymen who were still in business and who were encouraged by a rising market for eggs.

No broiler growers were interviewed in Merrimack County, but several feed dealers reported that their sales of feed were lower because local broiler growers had either curtailed operations or gone out of business.

Sussex County, Del., is one of the most intensive broiler-producing counties. Moreover, it is in the drought area. Important products, in addition to broilers, are corn, soybeans, and truck crops.

The farm situation in Sussex County has changed considerably from 1956. Like many other eastern seaboard counties, this county suffered extensive losses in farm crops this summer because of lack of rainfall from the latter part of June to September. Large losses have been reported in the various truck crops. The yield of corn has been estimated at considerably less than half of normal. The outlook for soybeans is quite good in some areas but in others the quality and yield will be reduced because of an infestation of a worm that burrows into the bean.

In both 1956 and 1957, the price of broilers was so low that the returns obtained by broiler growers depended mainly on the guarantee clauses in their contracts. Most of the growers who were interviewed reported that they had done somewhat better with broilers in 1957 than in 1956. Lenders in the area agreed that returns from broilers had been somewhat larger in 1957. But returns from crops were down sharply, and because of this the total incomes of the growers were reduced considerably.

During the first half of 1957, farmers bought freely from merchants and dealers in the area. An excellent corn crop had been harvested in 1956, and returns from this crop helped to maintain farmer purchases during the first half of 1957. But as drought parched the crops, farmer purchases fell off drastically. Merchants, dealers, and lending agencies became more cautious about extending credit. Sales of merchants and dealers for the year to date, particularly sales of automobiles, trucks, tractors, and farm machinery, are down considerably from 1956.

Most of the farmers interviewed felt that their financial positions were weaker this fall than a year ago, and they expected their situations to grow worse through the winter and spring. Poor returns from crops would make it impossible for many to pay their loans on schedule, and some anticipate difficulty in obtaining the credit they will need to produce next year's crops. Lenders believe that a considerable number of growers will need to increase their loans in the winter and spring. Dealers are finding it necessary to repossess some of the machinery they have sold, and they anticipate that farmers will require more credit next year than in 1957.

Corn Belt.- The financial situation of farmers in northern parts of the Corn Belt this fall ranges from the same as, to much stronger than, a year ago. Greatest improvement occurred in the western half of Iowa, which had a severe drought in 1956 but has good crops this year. In a broad belt that encompasses the southern halves of Missouri and Illinois and the southern two-thirds of Indiana, the situation of farmers is considerably less favorable than a year ago. Excessive rain, with flooding in many areas, was the major cause. The situation was aggravated in some areas by drought following the floods and by unseasonably cool weather.

From most parts of the Corn Belt, come reports that the demand of farmers for mortgage credit has been lower this year than last but that the demand for short-term credit is about the same to slightly greater than last year. The decline in the demand for mortgage loans is attributed to fewer farm transfers, increased use of sales contracts in transferring farms, the fact that farmers are more cautious and less willing to expand operations, resistance to higher interest rates, and other factors. Such increases as have occurred in the demand for short-term credit are usually ascribed to increased numbers of cattle on feed, higher prices for cost items, and continued large expenditures of farmers for farm machinery.

Despite increased expenditures by farmers, the non-real-estate loans to farmers held by banks and federally sponsored agencies in the Corn Belt were only about 2.8 percent higher at mid-1957 than a year earlier. Probably this was because cash receipts from farm marketings (which include price-support loans) were higher in 1957 than in 1956.

Surveys were made in three counties to get a more detailed account of conditions in different parts of the Corn Belt.

Benton County, Ind., in the cash grain area, lies just north of the line that separates the counties in which conditions are relatively favorable from those in which conditions are relatively poor in 1957. In 1956, the county had a record yield of crops. Prices were down somewhat, but the large yield resulted in high income. This summer, rains delayed planting of corn and soybeans; and further rains drowned out parts of many fields and retarded growth in others. The yield of oats was much below the 1956 yield and yields of wheat also were down somewhat. But as the season progressed, favorable weather improved crops prospects so that soybean yields were almost as good as those of last year, and where there was no damage from water, yields of corn will almost equal yields in 1956. However, approximately 10 percent of the acreage was drowned out and possibly another 10 percent will have some reductions in yield. In the southwestern part of the county crops were damaged somewhat because of hail.

The net worth of farmers in the county is reported to be substantially the same as a year ago. Farm debts appear to be slightly lower and farmers' deposit accounts are somewhat higher than a year earlier. The volume of price-support loans obtained by farmers on the 1956 crop was approximately 70 percent greater than the volume obtained on the 1955 crop. These loans supplied farmers with operating funds, and they were principally responsible for a decline of about 10 percent from last year in the operating loans owed by farmers. Although lenders are conservative in making loans, few farmers were unable to borrow all the funds they desired for operating purposes.

One lender noted that a new class of farm borrowers may be emerging. With social security benefits available to older farmers, some of them are turning their farms over to hired men who, in turn, are seeking additional capital with which to operate the farms.

Merchants and dealers report little change in their sales to farmers in 1957 compared with 1956. Sales of machinery were approximately the same as last year; sales of automobiles and motortrucks showed a slight increase. Similarly, there has been little change in the use of merchant and dealer credit by farmers and little change in collections.

In summary, farmers in Benton County are in about the same financial situation as last year. The value of their crops is less, but the value of their livestock is greater. Farmers are generally happy that crop yields have exceeded the bleak prospects of last June. Businessmen and lenders are cautiously optimistic in their expectations for future farm income.

Bureau County, Ill., which is in a cattle-feeding area, also suffered little damage from weather. For farmers in this county, 1956 was an excellent year, and conditions have improved further in 1957. Stronger prices for cattle and hogs, particularly the latter, were chiefly responsible for the gains. Crop yields are about equal to yields in 1956, but quality is not expected to be as good.

Cattle feeders in Bureau County expect their gross incomes to be higher in 1957 than they were in 1956 and believe that their financial condition is as strong as or stronger than a year ago. Total farm expenditures for the first 9 months of 1957 were higher than for the same period of 1956 largely because of higher operating costs and purchases of more feeder cattle at higher prices. Credit has been easily obtainable. Farmers have either paid their operating loans or expect to pay them on schedule; savings have increased and debts have been reduced compared with a year ago.

In 1957, farm business improved for merchants and dealers in Bureau County. Farm machinery dealers reported the largest gains, although sales of tractors, automobiles, and trucks appeared to be off slightly. Credit sales by merchants and dealers have increased but collections are good. Lending agencies report almost complete absence of delinquent loans.

Purchases of feeder cattle this fall have lagged behind purchases last fall. When purchases are completed, feeder loans may be greater than last year. Lenders report that a considerable part of their loans is for farm expansion. The trend appears to be toward fewer borrowers but larger loans per farmer.

Among the several types of farmers in Bureau County, hog farmers are generally considered to be in the most favored position. Prices of hogs during 1957 were consistently $2 to $3 per 100 pounds above the 1956 level. Cattle feeders are considered to be in a somewhat stronger position than in 1956 but not so much so as hog farmers. Dairy farms, which are of minor importance in this area, are in about the same position as last year but tend toward some improvement. The financial condition of grain farms is about the same to slightly poorer because of depressed prices and grain of lower quality, although yields are about the same as in 1956.

In Story County, Iowa, crop yields, particularly in the southern part of the county, were reduced drastically by drought in 1956. As a result, cattle feeders and hog producers have been short of feed in 1957 and many cash grain farmers have had little grain to sell. This created a drain on the financial reserves of farmers in 1957 and caused many to increase their use of credit. But more favorable growing conditions resulted in better crop yields in 1957, and prices of livestock, especially hogs, have been higher. Thus the financial situation of farmers appears to be considerably stronger this fall than a year earlier, even though debts are higher and financial reserves are lower.

Because of the severe drought in 1956, which followed several years of deficient moisture, farmers reduced their purchases of fertilizer in 1957. They needed to economize; they were fearful that 1957 might be another dry year; and they felt that there should be a carryover of the fertilizer applied in 1956. As it became clear that crops would be better in 1957, farmers became less cautious about spending, particularly for farm machinery. However, sales of lumber to farmers are down from last year. Few buildings are being constructed or remodeled.

Farmers in Story County have required more operating credit in 1957 than in 1956, largely because they had to buy more feed and had smaller returns from crops. Moreover, payments on loans have been lower than in 1956, and more farmers are asking for extensions of loans. But with the good corn and soybean crops that are being harvested, few farmers anticipate difficulty in paying their operating loans when these crops are sold or put under price-support loans.

Lake States.- The financial situation of farmers in the Lake States shows less change from last year than is found in either the Northeast or the Corn Belt. A few areas, such as parts of northwestern and southwestern Minnesota and southeastern Michigan had excessive rains that interfered with plantings or damaged crops at harvest, but mainly the situation throughout the Lake States does not differ greatly from the situation last year.

Cash receipts from farm marketings during the first 8 months of 1957 were higher than in the corresponding period of 1956. The improved price of hogs has been an important factor in the increase. The volume of production loans was up slightly at midyear in each of the Lake States. Reports indicate that many farmers have increased the size of their dairy herds and that a considerable quantity of equipment for Grade A milk production has been bought. In the corn-growing areas, more livestock on feed has resulted in larger credit needs. Reports indicate little delinquency of loans in the Lake States, except in areas damaged by excessive rain.

A survey made in Monroe County, Wis., indicates that farmers in that county are in a slightly stronger financial situation this fall than they were a year ago. Both farm incomes and farm expenditures are up somewhat from a year ago, but farmers' debts are down slightly and farmers' deposits at banks have increased. Apparently, farmers in this county have been able to meet higher production and living costs, to maintain their purchases of capital equipment, and to make additional farm improvements, without generally increasing their debts or drawing down their financial reserves.

Notwithstanding a generally more favorable situation in Monroe County, small farmers continue to be in a difficult position. With rising costs, and greater requirements for equipment, farms of "fair size" are needed if the operators are to "make out" under present conditions.

South 5/

Factors frequently reported in the survey as causing reduced incomes or higher costs in the South were: Drought in sections of the East; excessive rain and flooding at planting time, particularly in the central South; heavy fall rains and late harvests in many areas; small acreage allotments; and generally higher prices for items bought. Cotton production will probably be down in 1957 in all Southern States except Oklahoma and Texas. Grades and

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5/ Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas.

production of such crops as peanuts and tobacco were hurt by the wet harvest season. The situation was relatively favorable in many areas for producers of livestock, dairy products, citrus, and vegetables. In Texas and Oklahoma, moisture conditions have improved and prospects are brighter than they have been in several years. But the prolonged drought has left some lingering financial difficulties.

On the whole, the financial condition of southern farmers probably has worsened somewhat during 1957. Financial assets remain low and spending for living and production has been curtailed in many instances. Interest rates have increased generally and credit is slightly more restricted, particularly for the smaller and marginal producers. Debt delinquencies have increased but they are still comparatively low. Foreclosures are very few. But many southern farmers on the smaller and less efficient units, because of poor income and the attraction of nonfarm opportunities, are leaving agriculture or obtaining supplemental nonfarm income. Those farmers who have large units and can produce efficiently are in a relatively good financial position.

In the Coastal States from Virginia southward, the financial situation of farmers averages somewhat poorer than a year ago. Drought, which was severe throughout most of Virginia and in parts of North Carolina, reduced crop production and income. For dairy and cattle farmers, it resulted in extra expenses for feed and forage. Rain in September and October, which was very heavy throughout South Carolina, Georgia, Alabama and Florida, lowered the quality and production of such crops as cotton and peanuts, which were still unharvested. The situation was particularly serious for growers of flue-cured tobacco, most of whom suffered from reduced yields as well as a substantial cut in their acreage allotments. In scattered sections of these Eastern States, where weather was more favorable, the financial condition of such farmers as dairy and livestock producers was as good or somewhat better than last year.

These Southeastern States contain many small farmers whose financial problems are of a continuing nature. Those whose allotments of cotton, tobacco, and peanuts have decreased in recent years have few other farm-income alternatives. Smaller allotments and the Soil Bank program have made it particularly difficult in some areas for tenants to find farms to operate. Because of the economic pressures on small farmers, more and more of them are seeking and finding nonfarm employment. Thus, the financial condition of many farmers in the Southeast will depend primarily on industrial prosperity in the region.

In the Southeast, collections on farm loans were reported to be surprisingly good. Some increase in delinquency and carryovers will probably occur in areas such as Virginia, where drought reduced income and caused heavier expenses for feed. Apparently, the number of foreclosures is negligible. Nonfarm income and Soil Bank payments have helped some farmers. In general, farmers appear to be tightening their belts on family living and spending less on farm machinery and improvements.

Many farmers were reported to be using less operating and machinery credit because of soil-bank participation and smaller allotments. Others were cautious in incurring debt because of the poor year. Fewer farm sales and higher interest rates have tended to hold down demand for long-term credit. Rising cost rates, extra purchases of hay and feed, and need for some refinancing have tended to increase the demand for credit. Loans made for such capital purposes as irrigation, mechanization, bulk milk tanks, and farm enlargements were limited largely to the bigger and better farms.

Interest rates of both short-term and long-term loans rose in most sections of the Southeast. They were up an average of not quite 1 percentage point. Lenders appeared to be somewhat more selective on new loans and more cautious in extending outstanding loans. Small operators on inefficient units and borrowers heavily in debt found the greatest difficulty in getting credit. When repayment difficulties resulted from drought or excessive rain, lenders appeared to be liberal in making extensions.

The 20-percent reduction in acreage allotments for flue-cured tobacco was an important factor in the financial condition of farmers in Wilson County, N. C., a tobacco-growing area of the Coastal Plains. Not only was the acreage of tobacco smaller but yields were reduced by extremes of both wet and dry weather and the prevalence of the disease "black shank." A further factor was that some of the higher yielding varieties did not qualify for full price support..

The financial condition of farmers in this area is undoubtedly poorer than a year ago. Many farmers have few if any financial assets; one banker estimated that farmer deposits would be off 20 percent by the end of the year. Nevertheless, repayments on debts were reported to be good up to the time of the survey. In many instances, payments were not due until later and some increase in delinquency may occur by the end of the year. There was no indication that credit was more difficult to obtain.

The main effect of the less favorable financial situation is that farmers are more frugal in their spending. One tobacco farmer summed it up by saying "We have withheld purchases this year because of the uncertainty of crop yields and returns. We need many things but just haven't bought." Dealers reported that sales of farm supplies and household goods and appliances were lower this year and that many farmers were making their own repairs to equipment. Some increased spending was made for diversification and several self-propelled cornpickers were reported sold in Wilson County. Probably, relatively few operators of small tobacco farms were involved in such spending.

In the Piedmont, as indicated by a survey in Laurens County, S. C., cotton farmers tend to be pessimistic about their financial situation. This attitude stems, not from any significant change from last year, but from a level of income that continues to be unfavorable on many farms. The trend toward fewer full-time farming units continues; it has been accompanied this year by a reduction in individual acreage allotments and a high rate of

participation in the Soil Bank program. Income from off-farm employment is becoming more and more important.

Some individuals who put acreage in the Soil Bank reported lower expenditures, but most farmers indicated that operating expenditures were about the same or somewhat higher than last year. Our fieldman reports "Dealers indicated that farmers, particularly small full-time farmers, were continuing to restrict their purchases, . . . especially . . . for items such as machinery, automobiles, and trucks. However, . . . dealers emphasized . . . that such items now in the hands of farmers were mostly obsolete and badly in need of repair and replacement."

In general, Laurens County farmers appeared to need and use about the same amount of non-real-estate credit as last year. Fewer acres of cash crops tended to decrease demand by some but others borrowed more to make improvements and buy machinery. Demand for longer term, farm-mortgage credit will probably continue upward because of the high price of farmland and the movement toward larger farms. Credit was reported to be generally adequate but somewhat more costly and restrictive. Restrictive credit appeared to be especially evident for smaller operators, particularly renters and sharecroppers

Most farmers believe that they will be able to make all scheduled payments this year. Soil Bank payments have helped some farmers meet their payments earlier than usual. Unpaid installments were carried over from last year by a few farmers, and there will be some carryovers at the end of 1957.

In Terrell County, which is representative of cotton-peanut farming in southwestern Georgia, the financial condition of farmers appears to be less favorable than a year ago. Dry weather during the growing season and frequent rains at harvesttime decreased both production and grade of cotton and especially of peanuts. Because of its low quality, much of the peanut crop will be sold at a decreased price as oil stock.

As a result of this situation, a larger than usual number of farmers will not be able to make the scheduled payments on their debts, or will be late in doing so. This was confirmed by several local lenders. Most of the merchants interviewed said that their collections on credit sales so far this year had been slower than last year. The National Farm Loan Association reported little change in the number of farm-mortgage loans that were delinquent. It indicated, however, that it was receiving many requests for new loans as a result of banks and other creditors urging farmers to refinance loans on a longer term basis.

Most farmers interviewed reported little change in the availability of credit during 1956. In some instances, large operators had difficulty in getting exceptionally large amounts of credit - probably because of the tighter credit conditions. On the whole, there appears to have been no significant change in the amount of credit used this year.

Farmers now appear to be more restrained in their buying than they were earlier in the year. They were reported to be spending less on building improvements. Dealers said that farmers were buying less machinery, with more of it second-hand. One dealer indicated that most of the tractors were sold to the large operators. In general, it is believed that the short crop this year will be felt more acutely by local business in the year ahead than at present.

In Alabama a survey was made in Dallas County in the Black Belt, where livestock farming is becoming more important. Beef and dairy producers in that county are in a somewhat stronger position because of generally good pastures and relatively favorable prices. Some of the livestock farmers interviewed had added to their financial savings. All of the farmers except one expected to make payments on loans as planned. The exception needed only a 30-day extension because rains had delayed harvesting his crops.

Although many livestock farmers commented on the higher prices of the items they buy, the families indicated that, in general, they were living relatively well. Some farmers had made farm expenditures for such items as bulk tanks, mowing machines, and new corncribs. The fact that some of these livestock producers also had good returns in 1955 and 1956 may have influenced their attitude toward spending.

For Dallas County as a whole, however, caution appeared to be the best word to describe the picture for most farmers and lenders. Many farmers decided to do with the old and wait and see, rather than take on new debts. The need for some expenditures, especially machinery, was reduced because of the many acres going into the Soil Bank. Farmers with adequate security had no trouble in borrowing money but, in general, they borrowed less than their credit rating would permit.

With the demand for machinery and equipment off, dealers appeared to be more willing to advance credit in order to make sales. One dairy farmer who was interviewed said the banker who would have loaned him the money for a truck last year refused him this year. He obtained a loan from his dealer. A tractor dealer indicated that because of tightening by banks more deals were going through the manufacturer's finance company.

Several sections of Florida, especially northern Florida, have been troubled with excessive rain this fall and production and quality of crops have been reduced for many farmers. Our survey was made in the central Florida counties of Lake, Orange, and Sumter, where weather was relatively favorable in 1957.

As was the case last year, the credit and financial situation of farmers in the citrus area of Lake and Orange Counties appears to be satisfactory. Citrus producers interviewed were in substantial agreement that gross income was less for the 1956-57 season than for the 1955-56 season. Although production was up, on the average prices were somewhat less and costs were higher. However, according to indications the past season was still a profitable one.

The overall income and financial situation of vegetable producers was improved over a year earlier in the surveyed areas of central Florida. Watermelon growers were the exception because of disease and adverse weather. The last 2 years have been generally prosperous ones for farmers in this area. Apparently, this was true for the 2- to 3-acre farmers as well as for the larger producers. One local bank indicated that its customers were stronger financially at present than in any period during the last 12 years. There were significant increases in deposits, a much smaller proportion of delinquencies, and very little refinancing. A relatively low delinquency situation was reported by most lenders in the area. In general, farm-mortgage debts were lower, liquid assets were higher, and land values continued to increase.

The demand for credit continues to be strong in central Florida. The two production credit associations that serve the area reported substantial increases in their outstanding loans. This expansion appears to be due partly to more intermediate-term loans for such purposes as capital equipment and farm improvements. The increase in loans for the local national farm loan association resulted largely from an upward adjustment in the values at which citrus groves could be appraised. Farm loans of some banks had also risen. The general feeling is that adequate credit is available for agriculture, although interest rates are somewhat higher. One bank had recently increased its rate on loans of less than $1,000 to 8 percent.

Most of the merchants and dealers interviewed in both the citrus and vegetable areas reported lower sales than last year. Feed sales were off because of the good growing season, and slackening in development of pasture was noted. In general, however, farmer spending may not have been reduced as indicated by the merchants and dealers interviewed. Competition from new firms is greater, and farmers appear to be buying more from grower associations and direct from manufacturers.

In West Virginia, Kentucky and Tennessee, the situation is variable but on the average, the financial condition in 1957 of farmers in these States probably differs little from that in 1956.

Throughout West Virginia and eastern Kentucky and Tennessee, where the terrain is usually rough, there are many small, low-income farms. Grainger County, which lies in the foothills of eastern Tennessee, may be representative of some of these areas. A survey in Grainger County indicated that the net incomes of small scale, "full-time" farmers were slightly lower than in 1956. Nonfarm income of farmers is expected to be above 1956, largely because of continued expansion in employment opportunities. Subsistence farmers made relatively few expenditures for improvements to their farms. Small increases over 1956 were made mainly by part-time and commercial small-scale farmers.

Use of credit by farmers continued at the normally low level characteristic of the area. However, some larger farmers and farmers with nonfarm incomes appeared to be using more credit. Some increased refinancing of

short-term debts was noted. All lending agencies interviewed reported no greater delinquency than in 1956. A few merchants and dealers, however, indicated that collections were slightly slower. One dealer said that some of his poor credit risks had paid their accounts when they obtained off-farm employment this year.

The fieldman who conducted the survey summed up the situation as follows: "Farmers' overall financial condition, on the average, has not changed materially from a year ago. As one dealer in farm supplies put it, 'There is very little change in the general situation. It might be slightly worse; certainly it is no better.' The farmers interviewed are in general agreement with this view. It is the consensus of lending agencies and other well-informed persons in the county, however, that most farmers who depend chiefly on tobacco and strawberries will go into 1958 in slightly weaker financial position than a year ago. Dairymen and livestock producers are likely to be in at least as good financial condition."

In the Delta States of Mississippi, Louisiana, and Arkansas, the financial condition of such farmers as dairy and beef producers, is moderately better than last year. Excellent pastures in many areas, fatter cattle, higher milk production, and improved prices have contributed to this situation. Throughout much of the Delta region, however, crop farmers suffered from unusually heavy rains during the early growing season. Many plantings were delayed and much replanting was necessary. Hurricane Audrey caused considerable damage in southern Louisiana. The delayed plantings, together with excessive rain in some sections during early fall, have increased production costs and have made harvesting of cotton and other crops late.

Because of the high cost of producing the 1957 cotton crop in the Delta area, there was considerable demand for short-term operating credit. The Soil Bank program, among other factors, has tended to decrease the need for credit. In most instances, the going interest rate for non-real-estate loans has been increased to 8 percent, although some choice credit risks can still obtain it for 6 percent. Diverse factors affect the demand for farm-mortgage credit but on balance, it may have decreased somewhat. Some short-term lenders are encouraging borrowers to transfer all or part of their debt to a long-term lender. Apparently the trend toward buying adjoining land to increase allotment acreage is continuing. Possibly more important are such factors as fewer farm sales, high interest rates, and a cautious attitude on the part of most farmers, all of which tend to decrease the use of long-term credit.

Basic changes in agriculture which have prevailed in this region in recent years continue. Financial pressures of low income and relatively high costs are greatest on the smaller farmers. Many of them appear to be in the mood to sell. The trend is toward increased mechanization and larger farms. Industrial development in the South has attracted many of the smaller farmers. It has also attracted many sharecroppers and hired workers. The greatest exodus this year was reported to have been from areas in which crops were flooded out and labor requirements were substantially reduced.

At the time of the survey, lenders indicated that there were relatively few delinquencies and foreclosures in the Delta region. Soil Bank payments apparently alleviated much of the hardship that resulted from excessive flooding. One large short-term lender stated, however, "It has been reported that many small farmers who placed acreages in the Soil Bank program and did not obtain supplemental employment have become financially distressed after expenditure of the Soil Bank payments, or after exhaustion of credit based on Soil Bank assignments." The area loan supervisor for a life insurance company said, "We look for a distinct trend toward a few more distress cases resulting from small units, poor units and inferior management, or inability to compete with the cost-income squeeze."

Our survey made in Mississippi County, Ark., may be somewhat indicative of conditions in Delta areas of Louisiana, Mississippi, and Arkansas. It is predominantly an agricultural county with a high degree of specialization in cotton. The 1957 crop season was exceptionally wet and crops are from 4 to 6 weeks later than in 1956. In some localities, production may be reduced by a third or more. In some late-flooded sections, farmers were forced to abandon operations.

For the county as a whole, the financial position of most farmers will be unchanged from a year ago to somewhat poorer. Farmers will have less cash on hand at the beginning of 1958. Of the farmers who have 200 acres or less of cropland, possibly a third are not as well off financially as they were a year ago. One source mentioned that quite a few were on the verge of going out of farming. The Farmers Home Administration office reported several loans paid in full from the sale of 40-acre farms which were too small. More of the larger farmers, or those not affected so severely by heavy rains, believed that despite high costs their financial condition would be somewhat improved at the end of the season.

The local credit situation as reported by lenders was summed up as follows by the fieldman who made the survey. "The demand for production loans for 1957 was about the same as in 1956. The number of loans granted was about the same to slightly smaller, but the amount loaned was slightly larger. . . . . Carryover of unpaid balances are expected to increase, though not by a large percentage. Most lenders anticipate that farmers will need more credit next year, and some of them believed that the number who would fall into high-risk categories would increase substantially."

The farmers interviewed reportedly did not hesitate to borrow for such items as fertilizer and insecticides but were cautious in using credit for nonessential goods. Apparently, farmers are delaying the purchase of new equipment and some may be deferring normal repair and maintenance. Machinery and automobile dealers said that business was slow. Sales of general farm supplies and groceries appeared to be at about the 1956 levels.

The long drought has now been broken in many sections of Oklahoma and Texas. Crop prospects are improved and the range is in better condition. Supplies of feed and water are larger. The general financial and debt condition of both farmers and ranchers had improved slightly over a year ago. Further improvement may occur later this year as the cotton crop is marketed and also in 1958 as a result of better prospects for livestock and winter wheat. Relatively few farmers and ranchers are being forced out of farming.

With regard to financial assets owned by farmers and ranchers in the Southern Plains, the following report from that region appears to sum up the situation. "Bank deposits of farmers are at about the same level as a year ago, according to most replies. This picture is subject to change, as crops over a substantial portion of the District are somewhat late, and crop farmers may end the year with improved balances or reduced debts. If ranchers reduce marketings of heifer calves in order to replace breeding herds, cash receipts in ranching areas may not equal those of last fall, when substantial reductions in herds were made. Probably, this reduction in receipts would be reflected in bank deposits, although higher prices for the cattle sold would be partially offsetting."

Despite the generally improved conditions in Oklahoma and Texas, dry weather continued in some areas. Even where moisture conditions are better, the long drought still influences the financial situation and attitudes of farmers. The financial reserves of many are depleted and numbers of cattle are low. Some farmers are still cautious in their spending and use of credit. Farmers on small units and those unable to adjust to reduced allotments appear to be in continuing financial difficulty. Many of these farmers are getting off-farm employment.

Demand for production and operating credit has increased somewhat. Factors include larger yields and crop expenses, higher unit costs, and a desire to get operations back to normal. The better feed situation has also brought some demand for credit to buy feeder cattle. However, one report indicated that despite improved range and feed conditions, the demand for loans to rebuild breeding herds was only moderate. Ranchers, particularly those in western Texas and Oklahoma, usually were cautious about borrowing; many hoped to save heifer replacements from their own herds. The demand for long-term farm-mortgage credit has probably declined somewhat from a year ago as a result of less refinancing of short-term loans and a wait-and-see attitude about interest rates and price and production conditions.

The supply of credit in Oklahoma and Texas appears to be adequate to meet the demand in most instances, although in general at rates higher than those of a year ago. Reports from lenders indicate increases in interest rates for both short-term and long-term loans ranging from one-half of 1 percentage point to 2, with an average increase of about 1 point. Lenders continue to screen applications for new loans and extensions of outstanding loans.

Particular scrutiny is given to tenants and marginal owner-operators. There is some indication that lenders want the older outstanding low-interest-rate loans paid on schedule, so that funds can be reloaned at the currently higher rates.

A survey made in Ellis County, Tex., is believed to be representative of the Blackland area and may reflect conditions in other sections of the State. In that county, in late September, the financial condition of farmers was little changed from the adverse conditions of a year earlier but the outlook was more favorable. A larger cotton crop was in prospect, supplies of feed were better, pastures were improved, and cattle prices had increased somewhat.

Merchants and dealers indicated that business with farmers was somewhat poorer so far in 1957 than in 1956. Bankers reported a relatively larger decline in deposits for farmers than for others. Most of the Ellis County farmers who were interviewed reported their financial condition to be much the same as last year with little change in their financial reserves. When asked about the savings of farmers, one banker said, "You can bet all farmers have drawn down all their savings after 8 years of poor crops, high prices and reduced acreage."

Relatively few long-term loans were made in the county by the local national farm loan association and life insurance companies. It was reported that "Real estate transfers have practically come to a standstill." Higher interest rates and greater caution in making farm improvements also were factors in the decreased demand for mortgage credit. The production credit association made more loans this year than last and the average size of loan increased also. Higher crop costs was the explanation. Loans from the Farmers Home Administration were up sharply as a result of the poor crops in 1956 and the cost-price squeeze. Reports from the local banks varied but, on the whole, they indicated a downward tendency in operating loans. Apparently, a conservative lending policy was one of the more important reasons for this tendency.

The smaller and less efficient operators are being pinched by higher costs, particularly where acreages of cotton are restricted. Despite better growing conditions, the trend toward off-farm employment continues. Our interviewer sums up a widespread opinion in the area: "A small operator - one with less than 100 acres of cropland - has no chance to make a decent income from farming alone. Renting land to others, renting land from others to enlarge operations, or getting off-farm employment are methods in vogue to increase earnings." Fortunately, many off-farm jobs are available.

West [6]

In general, the financial condition of farmers and ranchers in the West improved somewhat in 1957. The extreme drought of the last several years was alleviated and pasture conditions and crop yields were improved, although there were areas of crop damage from other factors. Prices of farm products important in the West were well-maintained; cattle prices were considerably improved.

In the Northern Plains States, rainfall was more adequate in 1957 and crop yields were better. In each State, yields of wheat per harvested acre were higher in 1957; in South Dakota, the yield rose from 10 bushels per acre in 1956 to 20 bushels in 1957. However, in Kansas the harvested acreage of wheat was 45 percent less than in 1956 and total production was a third less because of unusually wet weather during and immediately before the harvest season and because planted acreage was less than two-thirds of that for the 1956 crop. Yields of corn in 1957 will be higher; the yield in Nebraska is forecast at 44 bushels per acre as compared with 22 bushels in 1956. Pasture feed conditions were generally good in the Northern Plains this year, and production of hay and feed crops was higher.

The price of wheat has been a little lower in 1957 than in 1956 in the Northern Plains, and prices of grain sorghums and corn considerably less. However, prices of cattle and sheep are better than they were a year ago.

Farm incomes will vary considerably in the Northern Plains States in 1957. In North Dakota and South Dakota, in the first 8 months of 1957, cash receipts from marketings of crops and livestock were 16 percent higher than in the same period in 1956. They were 2 percent lower in Nebraska and Kansas. Both real and non-real estate farm debt are higher, but, on the whole, the financial condition of farmers in the area has improved. Livestock farmers and ranchers have made the greatest progress. Except in areas of poor crops, the condition of crop farmers has improved also.

Conditions in the winter wheat area of Kansas were studied in a special survey of Ness County. The 1957 wheat crop in this county was very poor; it was only a third as large as the 1956 crop. The chief causes of the reduced crop were the severe drought in 1956, which lasted until the spring of this year, very wet weather in late May and June, reduced acreage allotments, and the Soil Bank program. Because of drought in 1956, more than half of the 1957 wheat acreage allotment was placed in the Soil Bank. Wheat yields per planted acre averaged 6.9 bushels this year as compared with 9.7 bushels in 1956.

6/ For this report, the following States are included in the Western region: Northern Plains States - North Dakota, South Dakota, Nebraska, and Kansas; Mountain States - Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada; and Pacific States - Washington, Oregon, and California.

Prospects for the 1958 crop are very good at present; much of the crop was planted on summer fallow land which has good subsoil moisture.

Pasture conditions have been good in 1957 in Ness County, and in mid-October prospects were that yields of grain sorghum would be around 25 bushels per acre. Production of forage and silage sorghums is also reported to be excellent. Acreages of both grain and forage sorghums increased substantially this year.

Farm income in the first 9 months of 1957 was much lower than in the same period of 1956 because of the poor wheat crop. For 1957 as a whole, income is expected to be less than in 1956, although, despite lower prices, the generally good sorghum crop will make up for much of the loss of income from wheat.

At present, farmers in Ness County are beginning to restock their cattle herds, which were reduced about 40 percent in 1956, because above-average rainfall this year produced good pasture and a plentiful supply of feed grain and roughage, but it will be some time before the herds are back to normal. The importance of cattle on the different farms varies, but even farmers who grow mainly wheat like to keep some cattle for additional income and because cattle are looked upon as the best type of security for loans.

Farmers' expenditures for operation and family living will be higher in 1957. Higher prices are one factor, but the main reason is that the increased rainfall made it necessary to work the land more than last year. Merchants indicated that sales to farmers are considerably higher in 1957 on such items as gasoline, fuel, repairs, and others that are basic to farming operations. However, sales of new farm machinery, automobiles, and building materials are down as much as 20 to 30 percent. A higher percentage of sales to farmers were credit-financed this year, and through September at least collections were slower. Lower farm income is given as the chief reason for the increased use of credit.

Farmer borrowing from banks, the local Production Credit Association, and the Farmers Home Administration increased in 1957. Again, the chief reasons were the drought of the last several years, which depleted farmers' cash reserves, and higher operating and living expenses. Some borrowing is also going on for purchase of cattle for restocking purposes. The number of farmers served by banks and the Production Credit Association increased slightly, and the average amount loaned per farmer increased. Although apparently, loan policies were not changed, except for a rise in interest rates, farmers had somewhat more difficulty in meeting the security requirements. Cattle are usually preferred as security, and many farmers had substantially reduced or even eliminated their cattle herds.

Up to early October, farmers in Ness County had received little cash income from their farms because the wheat crop was very poor and grain sorghums and cattle had not yet been sold. As a result, they drew down savings and incurred debts for operating and living expenses. It is expected that most of

the income from sales of grain sorghum and cattle will be used to reduce debts and for current expenses. On balance, farmers in this county are in a weaker financial position than a year ago. Several farmers reported that 1957 would be the first year that they would pay no income tax. But the larger feed supplies and the better prospects for a 1958 wheat crop offer hope for a good year in 1958.

The financial condition of cattle ranchers in the Nebraska Sand Hills is stronger than it was last year. A survey of ranchers in Cherry County, Nebr., found that higher prices for cattle and a better pasture and hay situation more than offset some increase in operating costs.

The feed situation in Cherry County is excellent. Increased rainfall provided good pasture this year, and the 1957 hay crop is reported to be the best in 20 years. This situation has reduced purchases of feed by ranchers, especially those of the high-protein feed-concentrate type. Feed dealers report that by early October their sales had dropped 25 percent below last year. Further decreases in sales of concentrates are expected because of the abundant alfalfa crop. Hay is so plentiful that local market quotations are $5 to $6 a ton for alfalfa, and there is no existing local market for prairie hay.

Although most ranchers will end the year in better financial condition than a year ago, a few may show little improvement. In general these are ranchers who last year were forced by drought to make heavy reductions in their herds in order to meet their debt obligations, pay operating expenses, and reduce purchases of feed. Some ranchers reported that higher operating and living costs were absorbing a good part or all of their higher incomes this year.

Sales of merchants and dealers to farmers varied. Sales of feed are down because of better pastures and increased production of hay. Sales of automobiles, trucks, tractors and farm machinery, household goods and appliances, and repairs are higher. The proportion of sales to ranchers on credit has increased. Ranchers appear to be using credit somewhat more freely because of better income prospects. Collections were a little slow earlier in the year, but this fall they are reported to be satisfactory.

The availability of credit from lenders as well as from merchants and dealers appears to be about the same this year as last. The customary use of credit to cover operating costs increased in 1957. This was due partly to higher operating costs; and partly to greater optimism with regard to repayment potential by both ranchers and lenders.

Several of the local banks and the local Production Credit Association report an increase in the total amount loaned for operating expenses. On the average, the number of borrowers appeared to be about the same, but the amount loaned per borrower increased. Loans of the local National Farm Loan Association also increased, with a marked rise in use of loan funds for debt refinancing and farm improvements. Although the amount of bank and PCA loans

to ranchers is higher this year, and the number of ranchers served is as high or higher than a year ago, there were reports from other sources that these lenders continued to be quite conservative in making loans.

A poor flax crop reduced income prospects for spring wheat-flax farmers this year. The 1957 average yield per acre of flaxseed in North Dakota was only 4.5 bushels per acre as compared with 8.5 bushels last year. The North Dakota yield of wheat was a little higher than in 1956, while in South Dakota the per acre yield of wheat was double the 1956 figure of 9.7 bushels per acre. Pasture conditions were good in 1957, and production of hay and feed crops was generally higher than in 1956.

Spring wheat-flax farmers in McLean County, N. Dak., will not be quite as well off at the end of 1957 as they were a year earlier. Wheat yields were fair - they averaged about 16 bushels per acre - although some farmers had extensive hail damage. The flax crop was very poor; it may average about 5 bushels per acre. The barley crop was disappointing also. There is an abundance of hay, although much of it is of poor quality because of rain, and corn silage appears to be plentiful.

On balance, the gross income of farmers in McLean County in 1957 is expected to be somewhat less than in 1956. Better prices for cattle will not offset the reduced income from flax. Net income will be down more because of higher operating costs. Dairy farmers and producers of beef cattle will be better off than cash grain farmers.

Sales of merchants and dealers are probably somewhat higher in 1957, although their reports on sales vary. Prospects early in the year were for good crops, and 1956 was a very good year for farmers in this county. Later sales resistance of farmers appeared to be increasing. The main reasons were increasing costs of both living and farm operations, higher interest rates, below-average crops, and possibly credit restrictions.

Sales of feed and seed are lower in 1957, but sales of fertilizer are up. Sales of tractors and farm machinery are largely unchanged. On the whole, they may be somewhat higher. But sales of automobiles and trucks are probably lower. The proportion of sales to farmers on credit increased early in the year because of good crop prospects. Collections on credit accounts are slower this year because of reduced income and the increased time needed to process Commodity Credit Corporation loan applications.

Banks and local merchants and dealers are the chief sources of short-term credit in McLean County. The local banks apparently prefer to make their farm loans directly to farmers; they do not finance any large quantity of sales contracts for dealers. As a result, most of this financing is probably done with financing subsidiaries of manufacturers and other financial institutions that accept this paper.

Merchants and dealers in McLean County are becoming concerned about extending open-account unsecured credit. Some dealers mentioned that they were

taking direct action to discourage farmers from asking for unsecured short-term credit. Higher interest rates, security requirements, and downpayments are now required by dealers on the larger credit sales.

The number of farmers borrowing from local banks in 1957 is somewhat higher than in 1956, and the average amount loaned has increased even though banks are reported to be increasing security requirements. The number served by the local production credit associations also increased, but one production credit association reported a higher average size loan and the other a lower. The Farmers Home Administration reports increases of 15 to 20 percent in the past year for production and subsistence, emergency and special livestock, and farm ownership loans.

If present trends continue, the Farmers Home Administration may become the leading farm credit institution in the county. The need for credit continues to increase as agriculture becomes more commercialized and more highly mechanized. The production credit associations and local banks (with one exception) appear to follow much the same credit policies; they prefer to limit their loans to a well-secured low-risk group of "worthy borrowers." The local banks may not have large enough deposits to supply all the credit needs of farmers and small-town businessmen. However, one banker reported that as a result of a deliberate change in lending policy and more liberal terms, he had increased by 10 percent the number of farmers served by his bank.

In general, the financial condition of farmers and ranchers in the Mountain States improved this year. An increase in rainfall improved pastures and ranges, raised the supply of irrigation water, and resulted in higher crop yields. Ranchers benefited also from the higher prices for cattle and sheep. Prices of some crops, such as grain sorghum and hay, are lower, but are offset partly at least by larger crops. Most farmers and ranchers who suffered severely from the droughts of the last few years have been able to make some financial recovery in 1957. However, it may take several years for many to recover fully.

Cattle ranchers in Custer County, Mont., are in a stronger financial condition than they were last year. A major reason is the increase in the price of cattle which in early October was about $4.00 per hundredweight above a year earlier. An abundance of rain was reported to have resulted in the best grass year since 1917, and a good hay crop put the rancher in better shape to face the winter. More rain also meant better crops and higher income for the county's dryland crop farmers. Sheepmen too are in better shape financially. The abundant grass this year will result in marketing heavier calves and lambs.

Ranchers are reported still haunted by the spector of drought and low prices, which they experienced last year, and, as a result, they are trying to keep expenses to a minimum. However, current operating and living expenses are up for all ranchers because of increased prices of food, labor, gasoline, and repairs. Many ranchers used less credit and more cash this year for these operating expenses.

Sales of seed, feed, and fertilizer are reported to be lower this year, but sales of most other things ranchers buy have increased. Machinery and automobile dealers noticed a small increase in the use of credit for purchase of these goods. These dealers sold hardly any combines or trucks last year. In 1957 ranchers apparently held off buying machinery until this fall, when they could be certain that the cattle market would hold and their grain crops were in the bin. Some replacement machinery of all types has been bought this fall, and the purchase of harvesting machinery for the large hay crop increased substantially. Collections by merchants and dealers on credit accounts have varied--some report slower collections than last year and some better collections. By the end of the year, collections are expected to be generally better than last year.

Local banks report some increase in the number of farmers and ranchers served this year, with the average amount borrowed remaining about the same. The local Production Credit Association, however, reported a decrease in the amount loaned per borrower. Outstanding loans of the local National Farm Loan Association continued to increase, but there was no particular change in purpose. Operating loans of the Farmers Home Administration declined.

Even though most of Custer County's ranchers are in better shape financially, some will have smaller gross incomes than last year. Many ranchers had to sell part or all of their breeding herd last year because of a shortage of feed. Some ranchers who normally sell yearlings were forced to sell calves last year; they will have little or nothing to sell in 1957 if they want to return to a yearling operation. Some operators had short calf crops this year, which they blame on last year's drought.

Range feed conditions improved considerably for <u>cattle and sheep ranchers in Guadalupe County, N.M.</u> in 1957, and in general ranchers recovered somewhat from the effects of several years of drought. Some parts of the county, however, are still very dry and range conditions there remain poor--though a little better than last year.

With improved range conditions, supplemental feeding has been reduced, and hay is in ample supply at prices well below the high level of a year ago. Prices of cattle, lambs, and wool are up, and stock is going to market in better condition and at heavier weights than in 1956. As a result of these improvements, the financial condition of most ranchers in the county is somewhat better than a year ago.

Incomes of ranchers are somewhat higher in 1957 than last year. Liquidations in 1956 resulted in smaller numbers of market animals this year, but local ranchers believe that this is more than offset by heavier marketing weights and higher market prices. However, some ranchers will have smaller gross incomes in 1957 because of reductions in cow numbers last year, but most of these operators have been able to make some reduction in operating expenses.

For the most part, commercial operators in Guadalupe County have found little difficulty in obtaining adequate operating credit, although they

continue to use it cautiously. With better incomes in 1957, most of them have repaid or will repay their debts as scheduled. Heavy liquidation of herds in 1956 by many ranchers has enabled them to reduce their debts. Because of smaller herd numbers and the increased liquid assets of ranchers, the demand from ranchers for operating credit probably declined this year. Apparently, renewals and extensions have declined slightly, and refinancing with real estate mortgages appears to have declined also.

The local banks and the local Production Credit Association continue to maintain conservative credit policies; they are taking on few new loan accounts. Real estate mortgage money is in good supply, but in general there is a sizeable gap between loan and market values of land. For the most part, the larger operators do not obtain operating credit locally because they require loans of a size that local lenders cannot, or do not choose to, handle.

Sales to ranchers of building and fencing materials, household goods and appliances, and gasoline and oil have been running about the same as last year. Because of smaller herd numbers, sales of veterinary supplies and medicines have been reduced. Automobile and truck dealers report a decline in sales to ranchers up to early October, but, because of the higher incomes ranchers are receiving, dealers expect sales to rise when the cattle-marketing season is over.

The situation for New Mexico as a whole is a varied one, but in many respects, it does not differ too much from that in Guadalupe County. In general, range conditions are much better than a year ago but are still below normal. Range conditions in the southeastern part of the State, although improved, remain poor and this is true also of local areas in other parts of the State. Prices of cattle and lambs are higher. Cattle and calves have made good gains over most of the State, and shipping weights should be heavier than in recent years. Supplies of hay are ample at prices well below last year's, although many hay growers are holding for higher prices.

Irrigation farmers in Cassia County, Idaho, generally improved their financial position in 1957. Cassia County is representative of western areas in which land development is taking place. The county seat, Burley, is not only the center of trade for Cassia County; it is also a major trade center for Minidoka County on the north where there is a large reclamation project. Lending activity is steadily increasing for development of new land, enlargement of present farms, and purchase of large-sized equipment. Merchants and dealers report more sales for the same reason.

Gross farm income will probably be higher this year for half or more of the farmers in the area. The chief reasons are that they are farming more land and getting slightly better yields. The price of hay is down, which hurts the nonfeeder but has strengthened the market for feeder cattle and sheep. The general opinion appears to be that cattle producers and feeders and dairy farmers are somewhat better off this year, cash crop farmers about the same or possibly a little better off, and feed crop producers in poorer position. Because of the great diversification in the area and on most farms, gains or

losses in one enterprise may balance off those in another. But the trend toward larger farms and more efficient operation tends to increase farm income.

Sales to farmers are up substantially in 1957. The largest increases are sales of fertilizer and farm equipment, but there are also increases in sales of feed and seed. Sales of automobiles are reported to be about the same as last year. The percentage of sales on credit is about the same as in 1956, and collections have been as good or better.

Loans of the local banks and of the production credit association to farmers have increased. The number of farmers served by local banks is up 10 percent or more, and the amount loaned per farmer is also higher. Similarly, the production credit association increased the average amount loaned this year. The demand for loans has increased because of new irrigation development, enlargement of present farms, and higher operating costs. Although they are serving more farmers this year, both the banks and the production credit association reported an increase in the number of loan applicants not served, and the Farmers Home Administration has had an increase in applications for operating loans. The increased demand is also indicated by the opinion frequently expressed by farmers that loans are harder to obtain this year. Lenders expect that collections will be as good as last year.

Cassia County represents an expanding irrigation area. The number of farms has not increased in the last 5 years, but acreage per farm has increased by 12 percent. In Minidoka County, which influences the reports from the lenders and merchants in Cassia County, the acreage in farms has increased 68 percent. Much of southern Idaho is represented by the area surveyed, but conditions for the State as a whole may not be as favorable as those in Cassia County. In the older established irrigation areas, the possibilities for expansion are not present and higher costs are more important there.

The financial condition of farmers in the <u>Pacific Coast States</u>--<u>Washington</u>, <u>Oregon</u>, and <u>California</u>--varies considerably this year. On the whole, most farmers are in as good or possibly better position than a year ago, although some farmers are not doing so well. Livestock producers have benefited from higher prices and cheaper feed. Dairy farmers are probably holding their own, but poultry producers and producers of some fruits, seed, and feed crops may be somewhat worse off.

The <u>diversified farming of Linn County, Oreg</u>., may be considered fairly representative of agriculture in western Oregon and western Washington. Dairy, poultry, and general diversified farms are important types in the county. Specialty crops of importance are mint, common and perennial ryegrass, fescue, vetch, and a number of other forage and cover-crop seeds. As Linn County is the chief ryegrass-producing area in the country, most farmers are affected directly by the price of this crop. Most farms are somewhat diversified in the sense that some cash crops are grown on dairy, livestock, and poultry farms and farms without livestock grow a variety of crops.

Financial conditions vary by type of farm, but on the whole most farmers appear to be in somewhat worse financial condition than a year ago. The dairy farmer with small quantities of cash crops but a herd of 30 or more cows is in the most favorable position after weathering the last several years of low income. During this period small dairymen had to enlarge their businesses or quit and those who are left are making fair returns. The only complaints of most dairy farmers in Linn County are the grade A quota system, which limits deliveries of this type of milk, and the requirement of most milk receivers that they change from cans to tanks by December 31.

Poultry farmers who have enlarged their businesses seem to be holding their own, but the picture varies greatly by type of operations. The market outlook for turkeys is depressing, and local prices for eggs are reported to be somewhat lower than a year ago. Although grain prices have dropped, feed prices are rising. It appears that the lower price for grain has been more than offset by higher costs of labor and the cost of adding vitamins and minerals to mixed feeds. But prices of poultry and poultry products are mostly lower than a year ago. Competition from broiler producers in other areas is felt greatly.

The most discouraging situation exists for cash crop farmers who produce ryegrass and grain. For several years there has been a surplus of both common and perennial ryegrass. Although the surplus is being reduced and prices have shown some strength recently, most growers were forced to sell their crops when prices were low. Yields of ryegrass were also below average this year. For grains, the situation this year is similar. Lower yields and prices and higher costs of operation have made it difficult for even the larger operators to obtain satisfactory returns.

In general, total sales of merchants and dealers in 1957 are running below 1956, and sales of tractors and farm machinery are down substantially. The chief reason reported for the decline in sales is lower farm income and higher prices for the goods farmers buy. The proportion of sales to farmers on credit is higher, but collections are slower.

The local production credit association reports that the number of farmers it serves has increased. Local banks are serving about the same number. The average amount loaned per farmer is about the same as in 1956, but the number of loan applicants not served has increased. Loans for operating expenses are higher, although loans for other purposes are lower. Lenders expect an increase this year in the number of borrowers unable to make payments as originally scheduled. Farmers frequently report that loans are harder to obtain, interest rates are higher, and more security is asked. The Farmers Home Administration has had an increase in inquiries for operating loans to refinance short-term debts.

The overall farm financial situation in Linn County is not encouraging. Some cash crop farmers who are able to find other employment are quitting. Many are attempting to supplement farm income with off-farm employment, but only a few succeed. A general deterioration of farm assets is reported because

of insufficient building repair, machinery replacement, and general upkeep. Values of land and livestock, particularly good dairy cows, are rising but this is of no help to a farmer who is pressed for cash for living and operating expenses.

Madera County in the San Joaquin Valley of California has a highly diversified irrigated agriculture. The financial position of dairy farmers is about the same as a year ago or perhaps not quite so good; the price of hay is lower and this tends to offset higher costs for other operating items. Cotton farmers are somewhat better off as yields are higher and prices are better. Cattle feeders are benefiting from higher prices and a good demand for quality cattle. Grape producers will probably end the year in about the same position as a year ago. A somewhat lower yield will be offset, or nearly so, by better prices. The only group of farmers in a relatively unfavorable position was the group of small dairy farmers on marginal or near-marginal land. The general crop, orchard (peach), and vineyard situation is more favorable with many producers making more money than they made last year.

Gross farm income in Madera County in 1957 is generally lower than in 1956. However, where farmers are expanding the size of their operations increases are noted. Poorer yields are the chief reason given for lower incomes, but a decline in the price of corn is mentioned frequently also. On the smaller farms, expenditures remain about the same in 1957 as in 1956, but expenditures on the larger farms have increased. Higher prices (except for feed) and higher wages are largely responsible for the higher expenditures.

Total sales of local merchants and dealers to farmers have increased in 1957. Sales of feed and seed, building and fencing materials, and repairs are higher, but little change is noted for sales of automobiles and trucks, tractors and farm machinery, and household goods and appliances. The percentage of sales to farmers on credit is about the same as last year; collections are little changed from 1956.

The number of farmers borrowing from banks has increased in 1957, and the average amount loaned per borrower by both banks and the production credit association is higher. Higher operating costs are a major reason for the increase in farmer borrowing, but there is also an increase for the purchase of such capital items as farm machinery. In general, credit availability appears to be as good as in 1956, and farmers are obtaining the credit they need. Loan collections are holding up well; no increase in delinquencies is expected. In the case of farm real estate loans, there is some resistance to higher interest rates; the local National Farm Loan Association reported a substantial decline in the number of loans and in the amount loaned for the refinancing of existing debts.

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